Logistics in Europe

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Saarland
gwSaar
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Utah and Saarland

A strategic partnership

1 Locate in Your Largest Market

- European Union's GNP is bigger than USA's GNP
- 50 % of the European Union's GNP is generated in Germany and France
- Roughly 140 million people are living in Germany and France

Saarland – One of the German States

- Saarland is one of the 16 states in Germany
- Saarland is located directly at the French-Luxembourg border
- Twice in the last century, Saarland politically belonged to France
- Size: approx. 2,600 sq.km
- Population: approx 1.1 mio. inhabitants
- Population density: 422 per sq.km (second highest of all German area states)

2

Utah – Saarland Cooperation Agreement

Kooperationsvereinbarung zwischen dem Saarland und dem US-Bundesstaat Utah, Salt Lake City, 27. September 2002:

- Förderung wirtschaftlicher Beziehungen
- Informationsaustausch
- Förderung direkter Firmen-kontakte
- Ernennung von Beauf-tragten

Dr. Hanspeter Georgi, Wirtschaftsminister des Saarlandes und Michael O. Leavitt, Gouverneur des US-Bundesstaates Utah

Saarland

Utah – Saarland Cooperation Agreement

“The cooperation agreement will help the business people and R&D people to come together and to cooperate very effectively.”

Dr. Hanspeter Georgi,
Saarland's Minister of Economic Affairs

“It's an important agreement. I'm building on what has become a long-standing relationship of value and trust, and we anticipate even greater so in the future.”

Governor Michael O. Leavitt

Deseret News, Salt Lake City - Friday, September 27, 2002

Saarland

gwSaar

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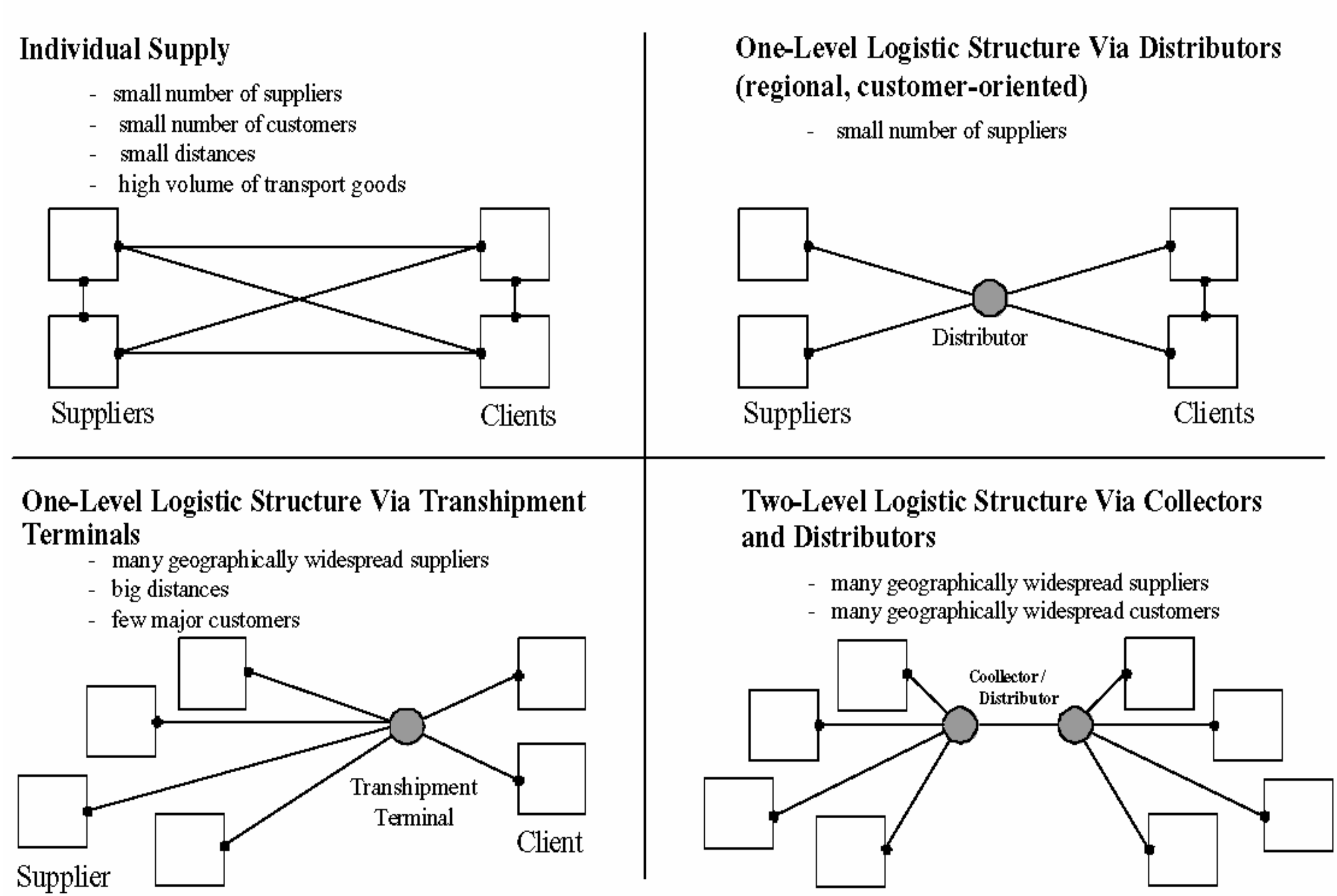
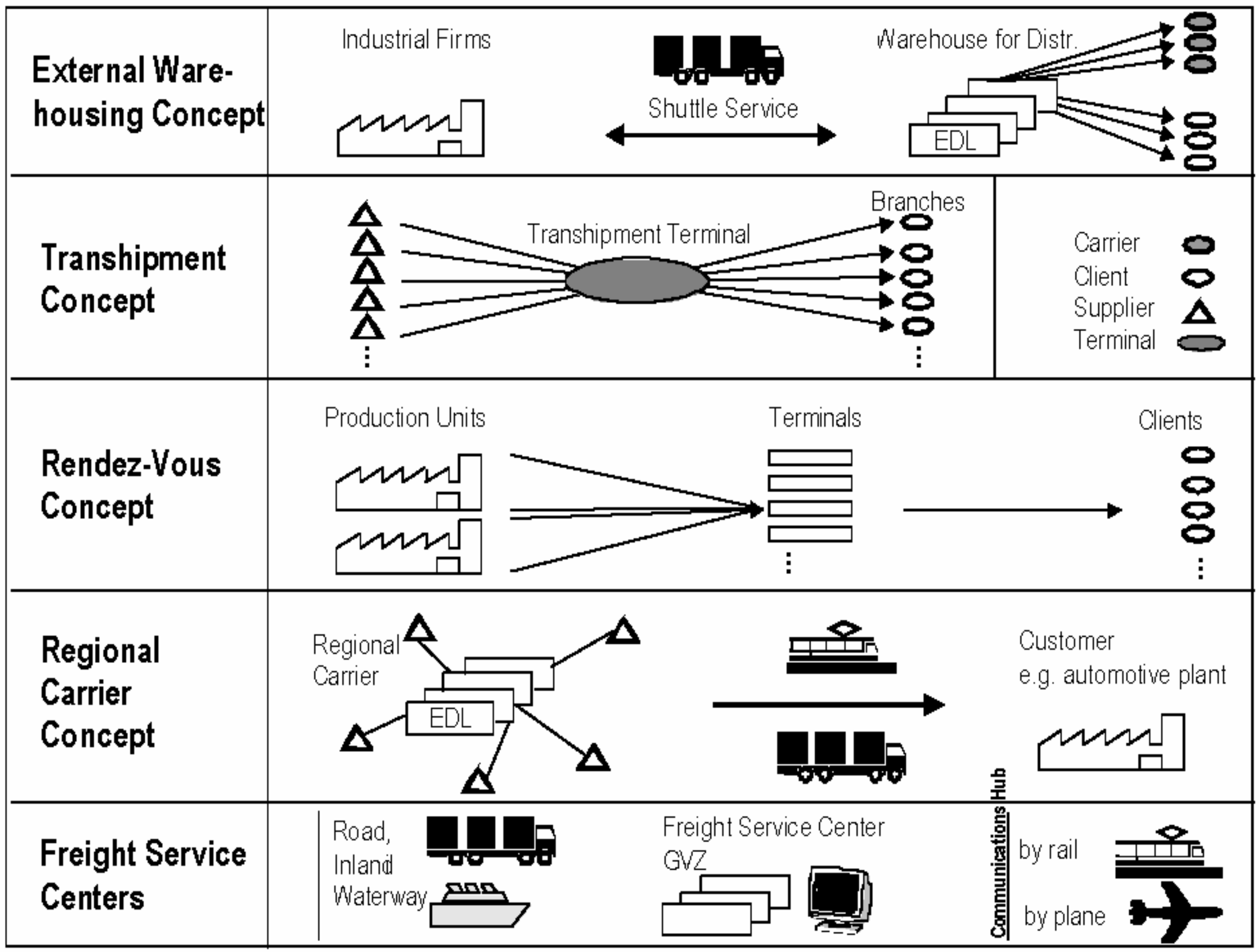
Logistics in Europe

Where do we stand today ?

Alternative Logistic Structures

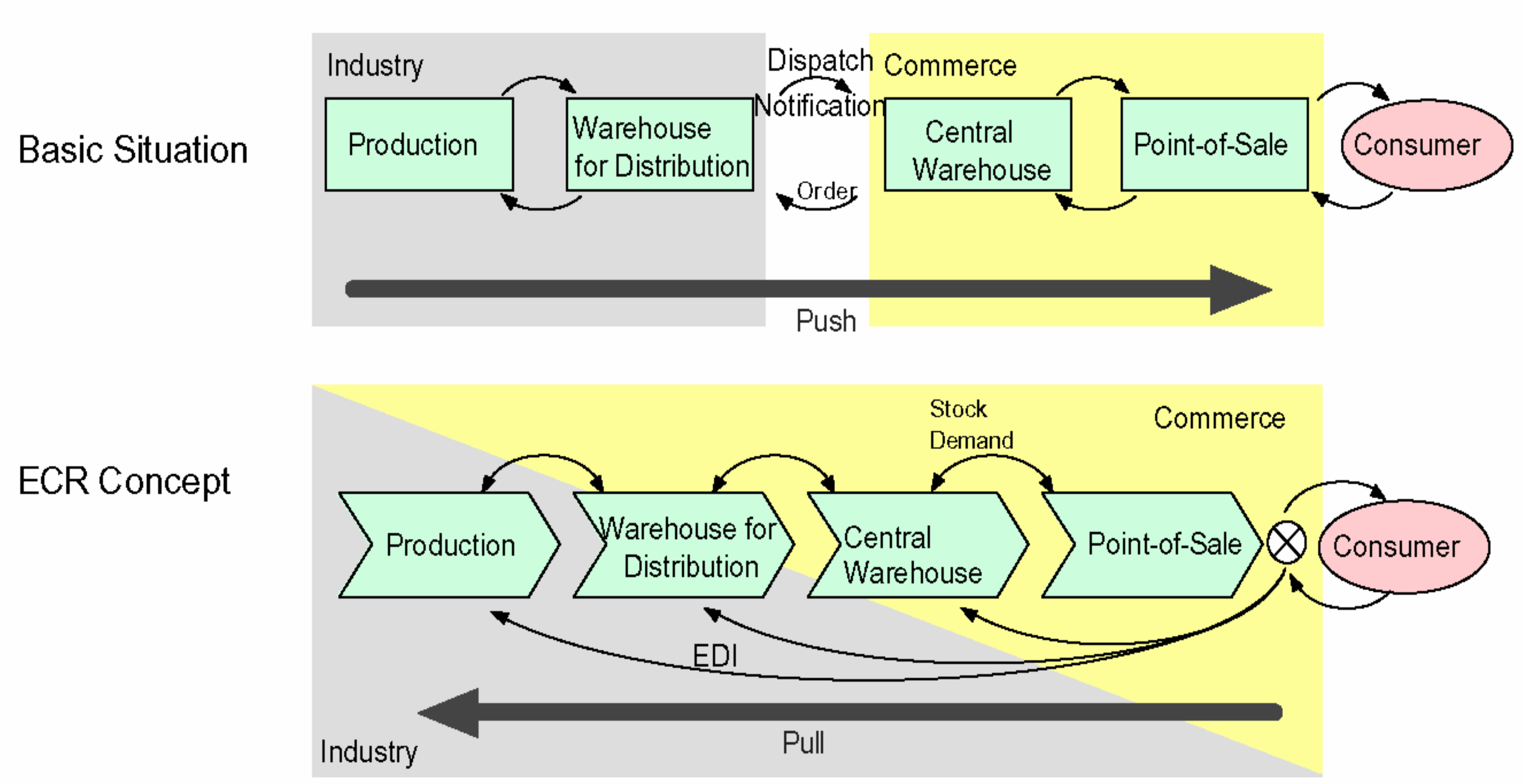


Warehousing and Transportation Strate



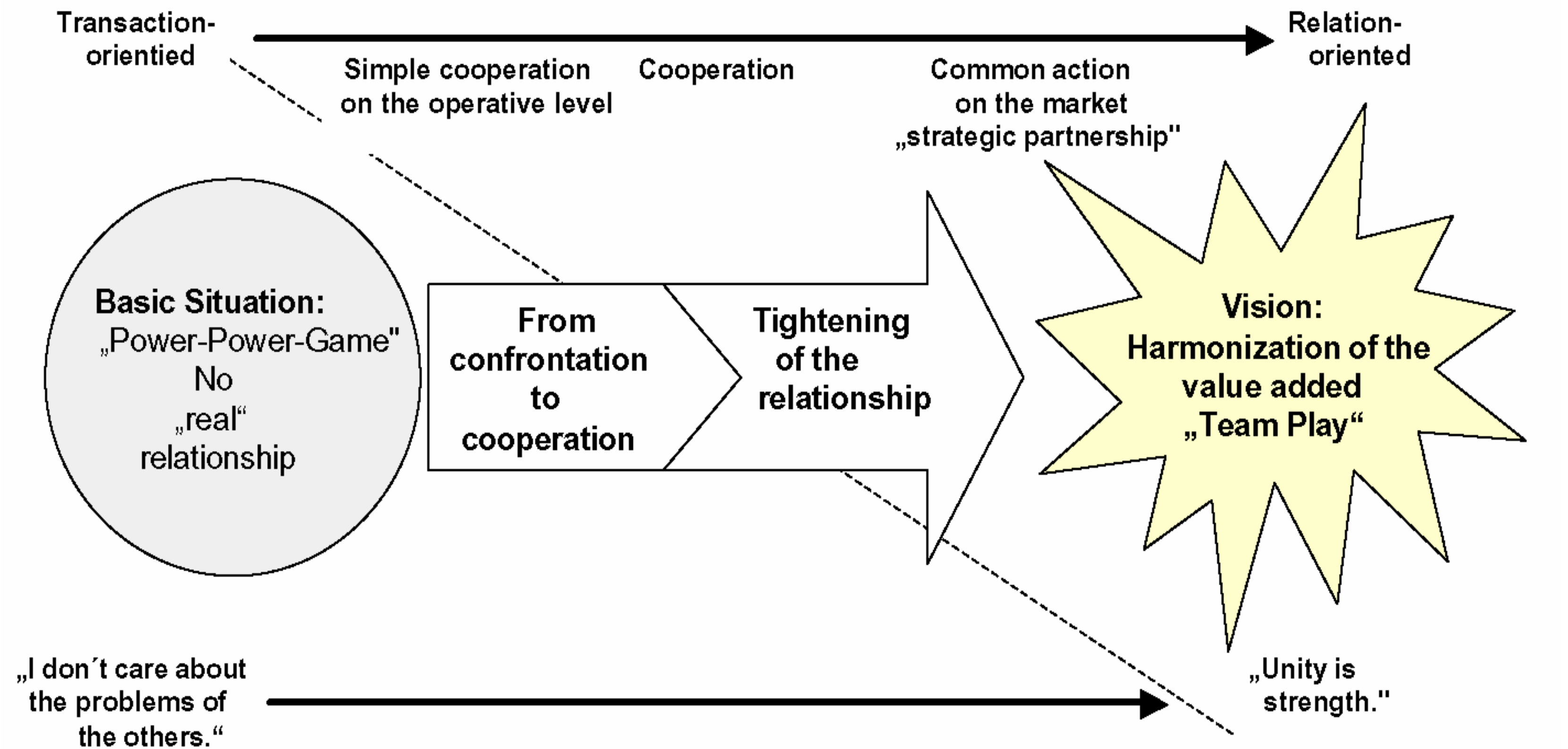
ECR Efficient Consumer Response

From Area- to Process-Oriented Thinking



ECR Efficient Consumer Response

Harmonization of Value Added



Potential Fields of Cooperation - Overview

Cooperation in Logistics

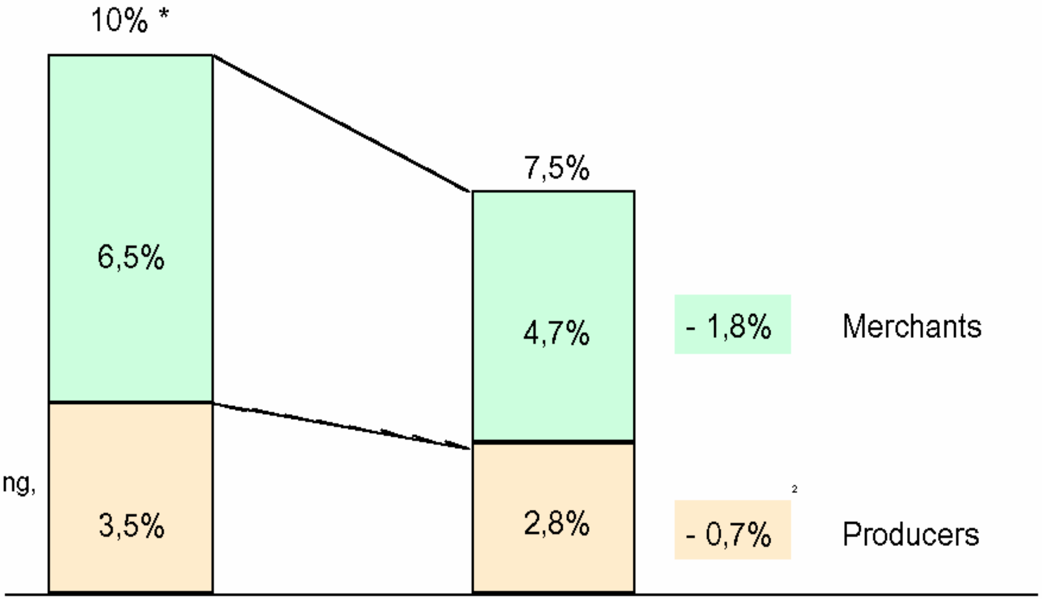
- Cooperation on the operative level to ensure a more efficient flow of goods
- Efficient administration
- Fixing of an optimal responsibility assignment in distribution
- Efficient warehouse supply / Production control

Cooperation in Marketing

- Efficient PR and sales promotion
- Design of product lines
- Development / introduction of new products
- Quality assurance

ECR Efficient Consumer Response

Prognosis on the Distribution of Logistic Cost Reductions in Germany (in % of consumer prices)

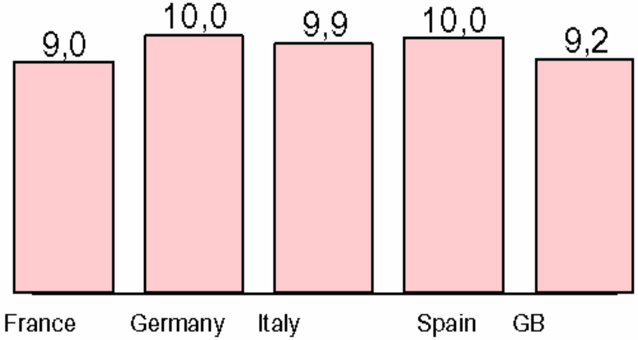


* Included are handling, transport, warehousing, and administration costs arising for producers and merchants between the place of production and POS

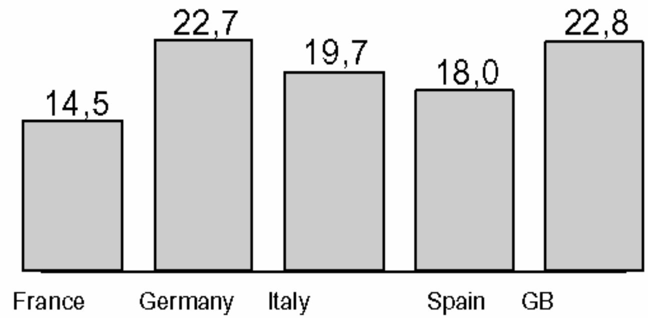
ECR Efficient Consumer Response

Key Numbers Show Efficency Gaps

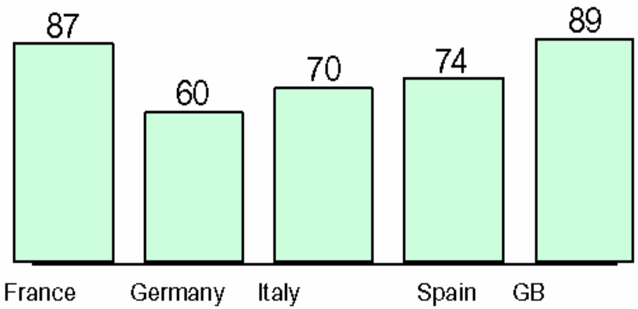
Logistic Costs of the Overall Supply Chain
(in % of overall consumer prices)



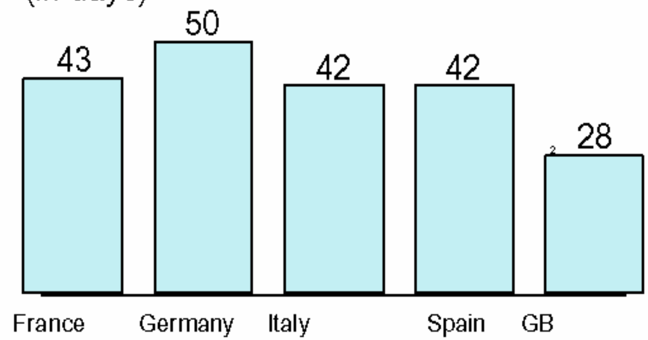
Average Trade Margins
(in %)



Proportion of central warehouses in the flow of
of goods (in %)



Range of stocks on the overall supply chain
(in days)



ECR Efficient Consumer Response

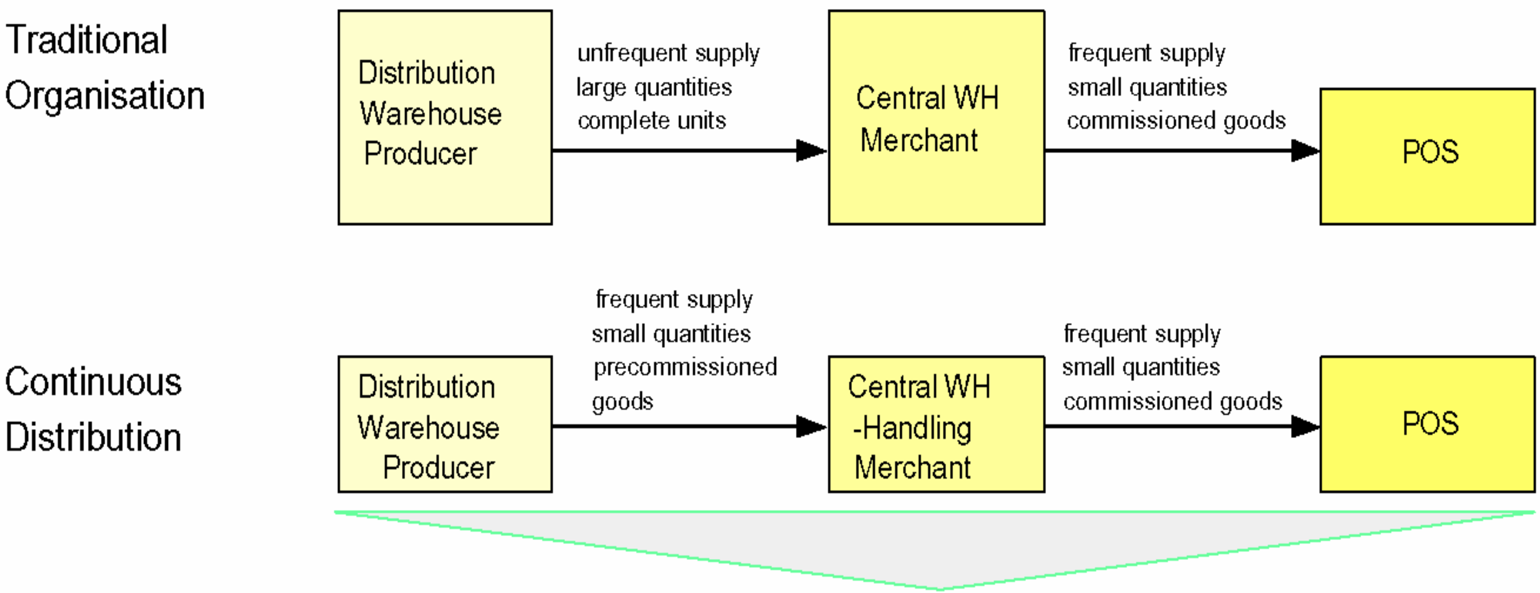
Components of ECR

Efficient Consumer Response

- Commodity Goods Management
- Electronic Data Exchange
- Continuous Subsequent Deliveries
- Continuous Distribution
- Direct Supply
- Computer-Based Order Placement
- Process Cost Accounting
- Cooperation

ECR Efficient Consumer Response

Continuous Distribution



+	shorter	processing times
+	smaller	handling costs
+	smaller	stocks
-	higher	costs of transport
+	higher	service level at lower costs

ECR Efficient Consumer Response

Estimation of Cooperations in the Supply Chain Management on the European Comparison

Spain	Germany	Italy	France	Great Britain
little mutual understanding	very positive, ready to be started	first efforts to start cooperations	very high potential for conflict by hard negotiations	very advanced
little trust	become market leader, starting	some mutual understanding	some leaders block	strategic cooperations are planned
occupation with other things (growth)	trust by common targets	some distrust	necessity to have an initiator	mutual trust and understanding
weak information base	agreements on rules	necessity to fix rules		well developed infra-structure and technologies

Supply Chain Management

Motivation to change the management of value-added chains

Globalisation / Regionalization

- Global supply and selling markets
- Cooperation/competition with low-wage countries
- Local-content and regional centers of excellence

Cooperation and Service Orientation

- Value-added partnerships (alliances)
- Distributed locations
- Integration of value-added services

Customer Orientation

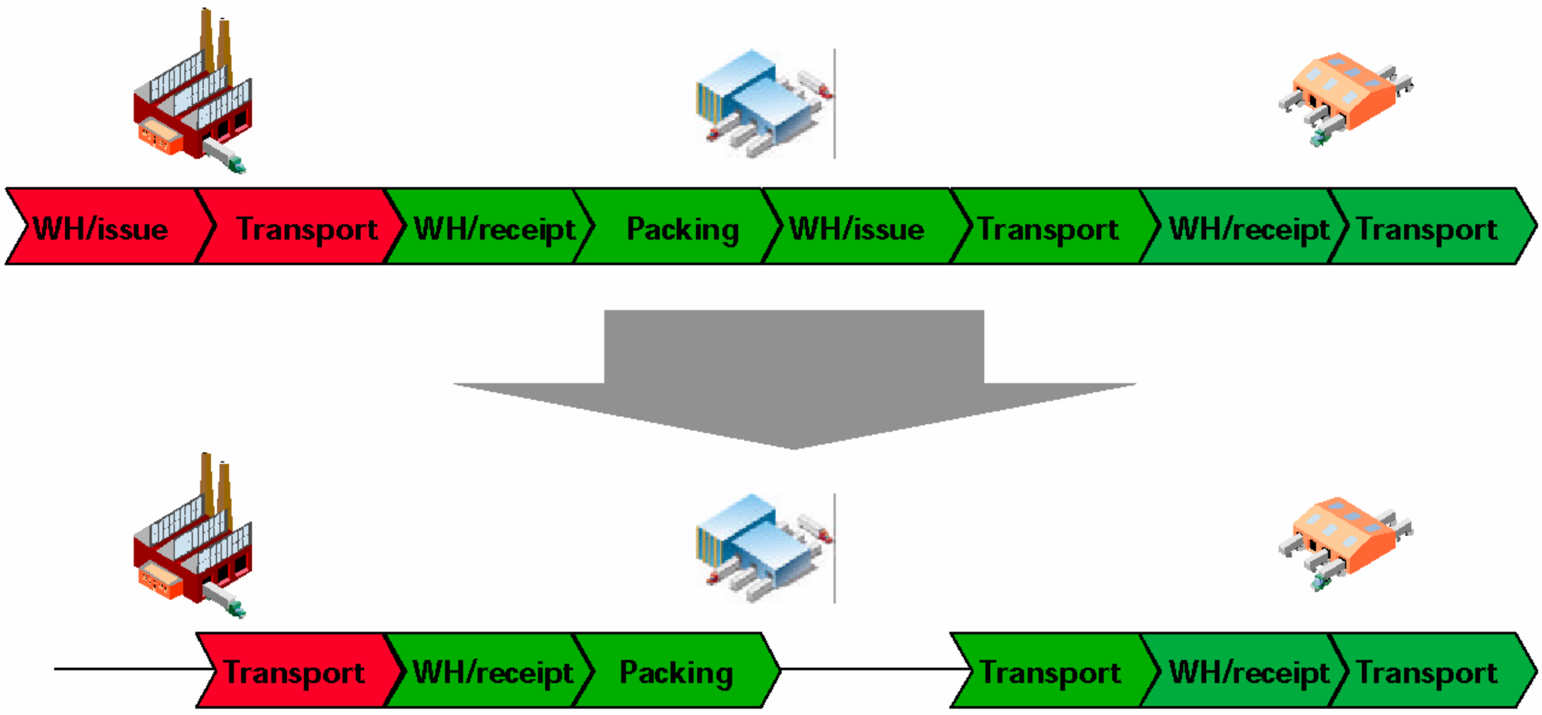
- Modular production & flexible, customized products with shorter life cycles

I&C Technology

- Application-oriented, integrated standards
  Interplant cooperation based on information systems
- I&C makes processes transparent

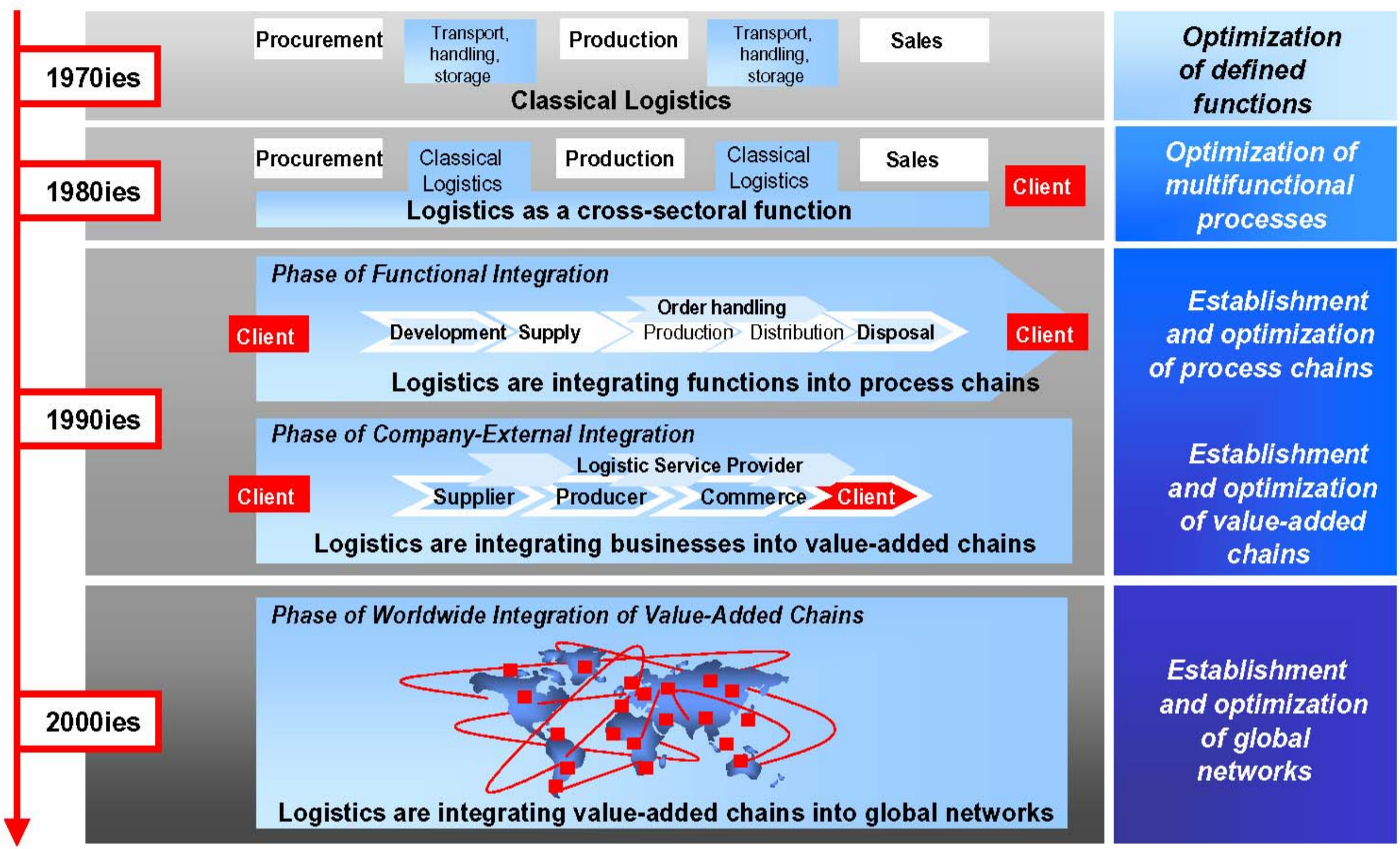
Supply Chain Management

Combination of Warehouses

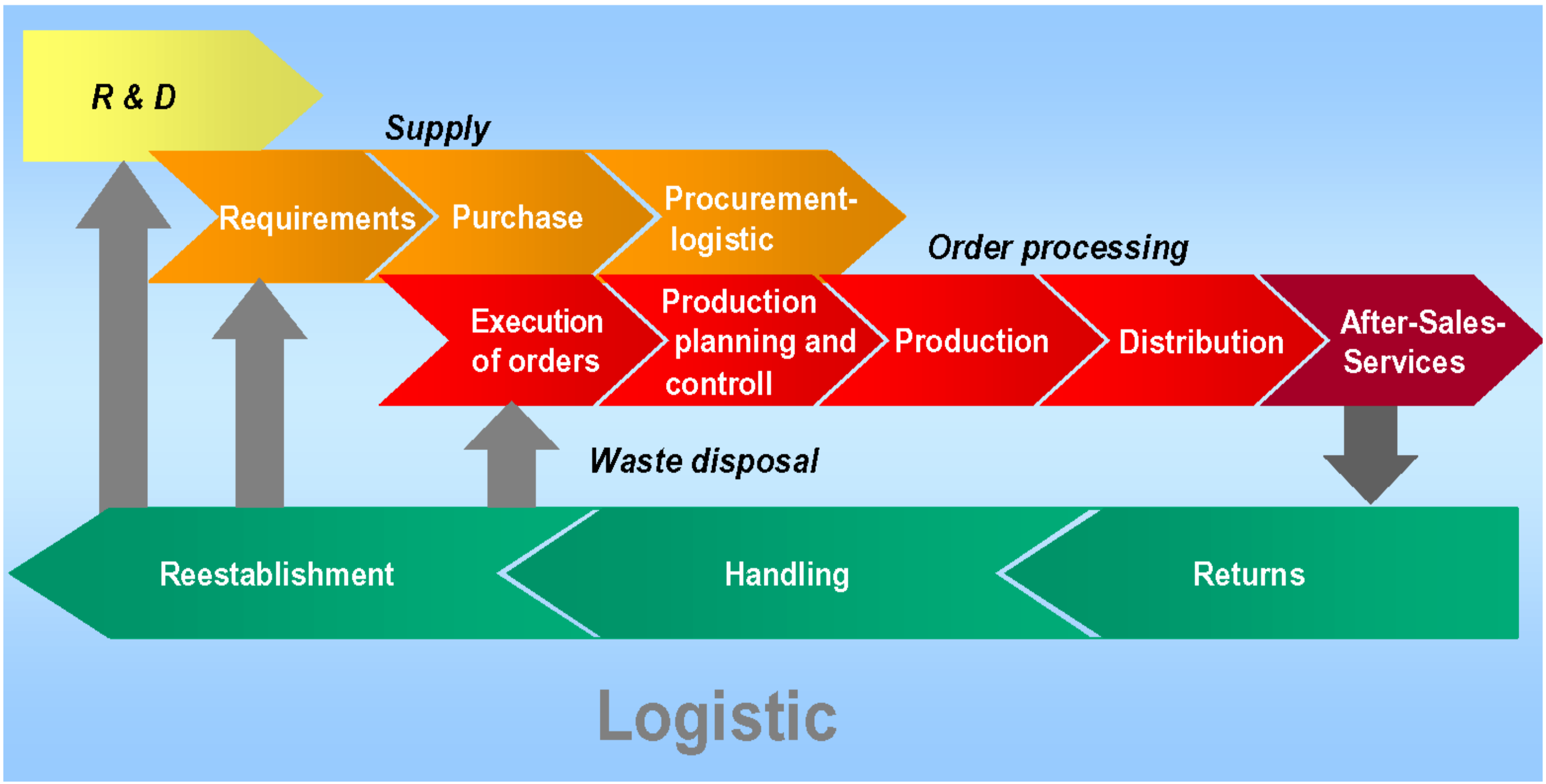


But: Combined warehouses alone can hardly offset variations of demand

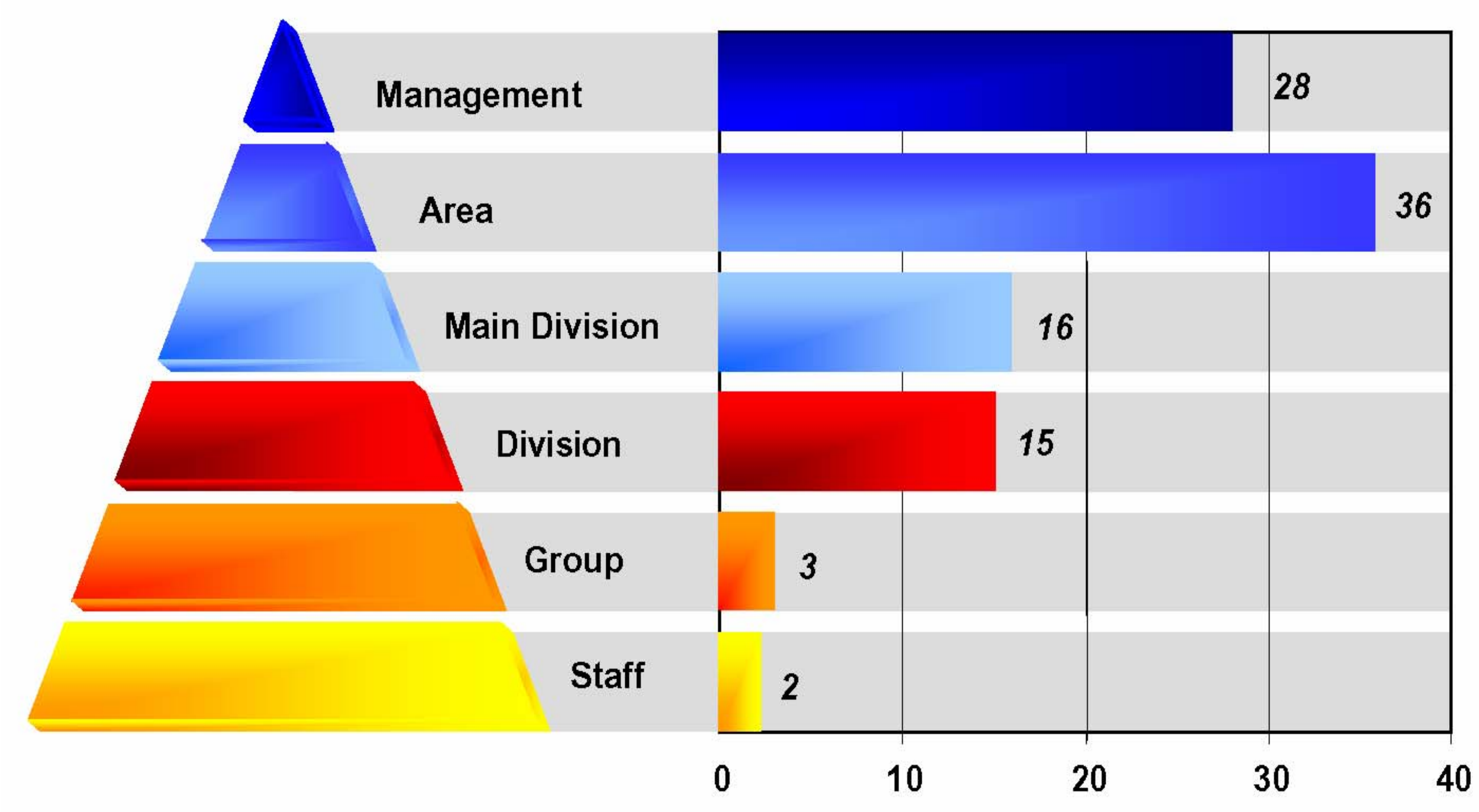
Development of Logistics



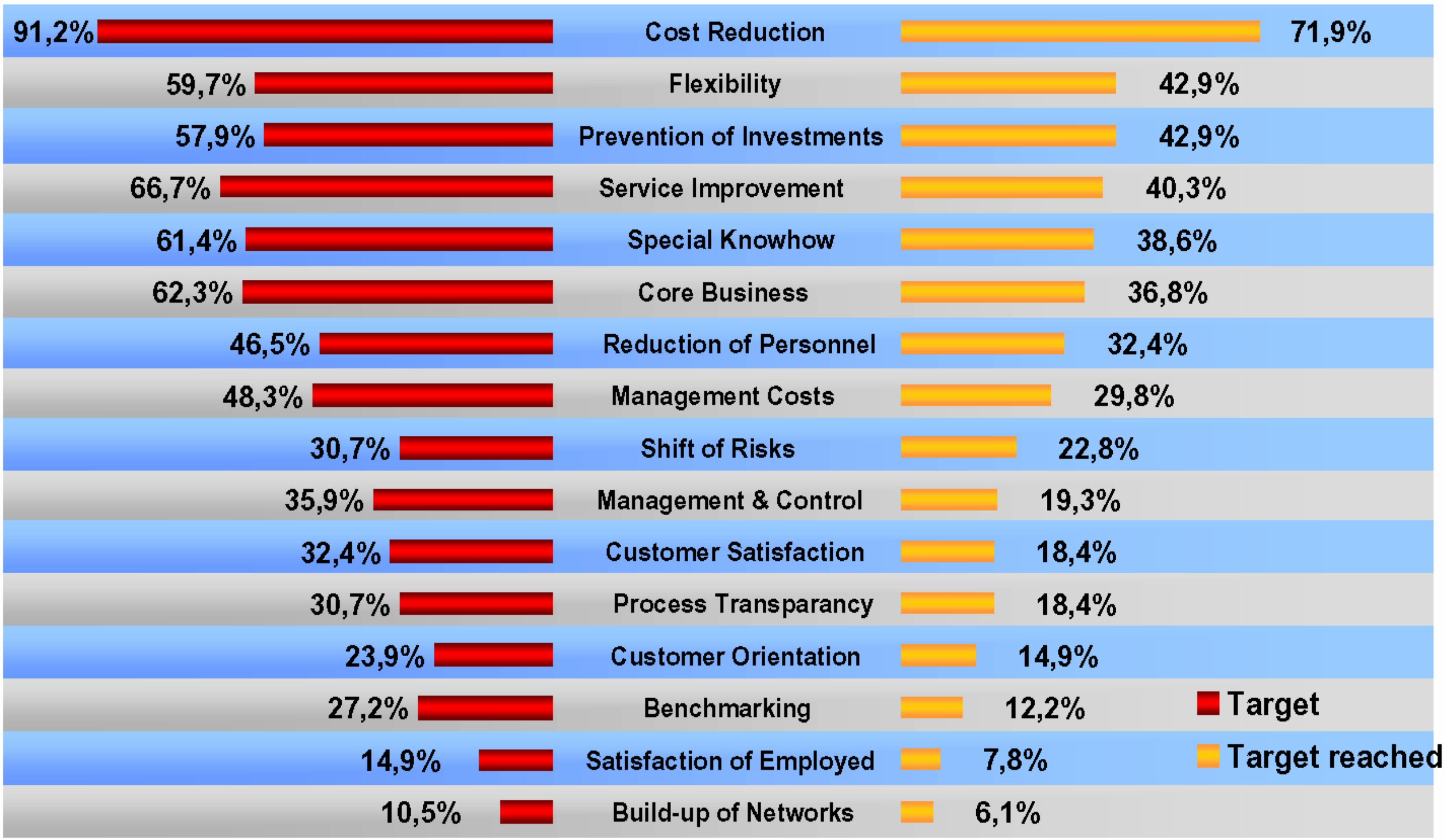
Structure: Company-Internal and -External Model of Process Chains



Assignment of Overall Logistic Responsibility in Companies



Targets and Successes of Outsourcing

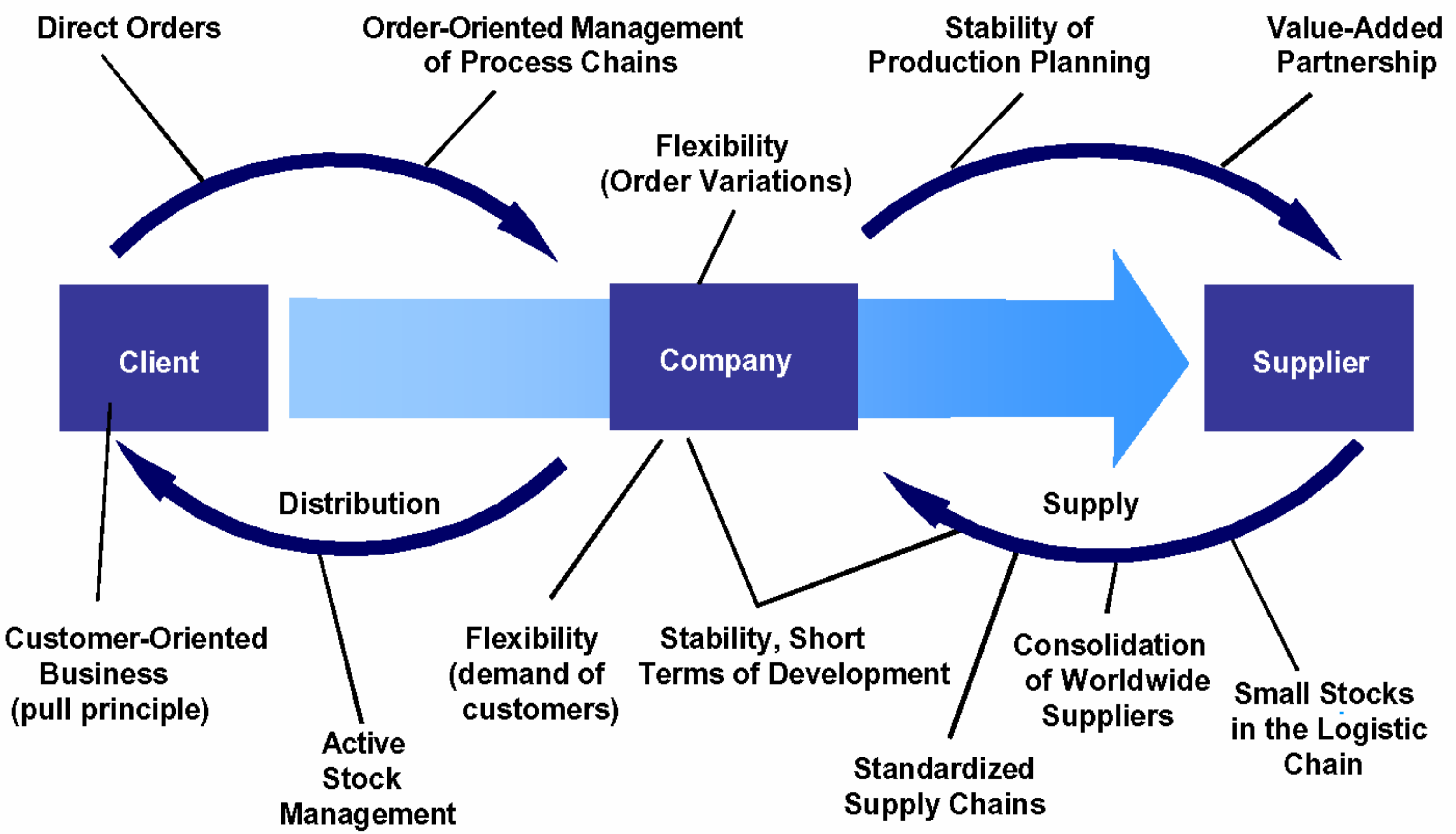


in % of the companies

Qualities of Logistic Leaders

- Offensive realization of innovations to take a leading role in efficiency and costs by means of global benchmarking
- High degree of integration of responsibilities into logistics
- Customer-inspired logistic chains
- Use of information and communication technologies, especially in the field of e-business
- Costs of logistics roughly 6-7% of overall costs (full scope of services)
- Meeting of deadlines > 98%
- Full readiness to pass on information to the customer
- Permanent control of customer satisfaction

Qualities of Logistic Leaders



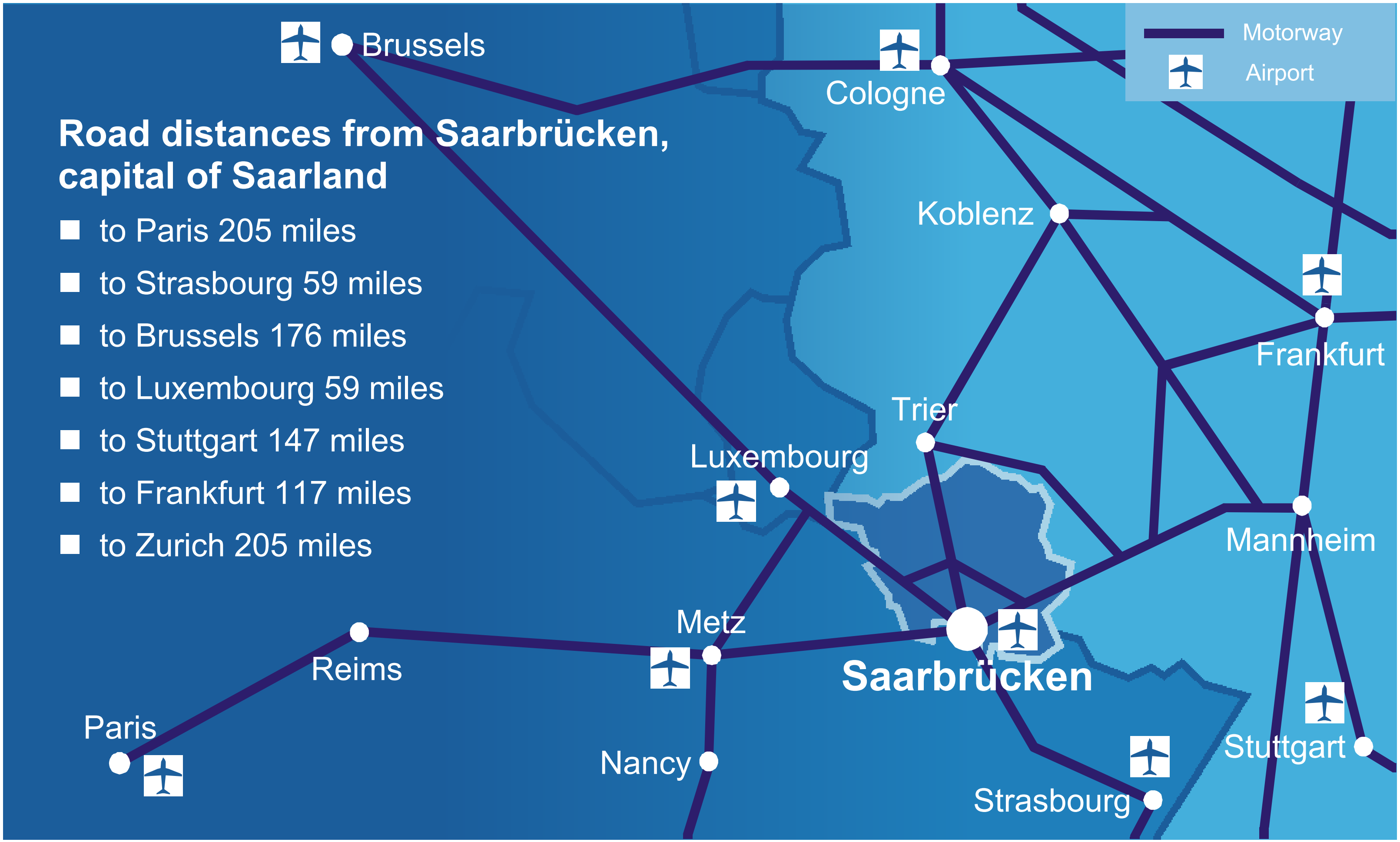
Logistic Location Saarland

1

Saarland – Easy Access in Europe

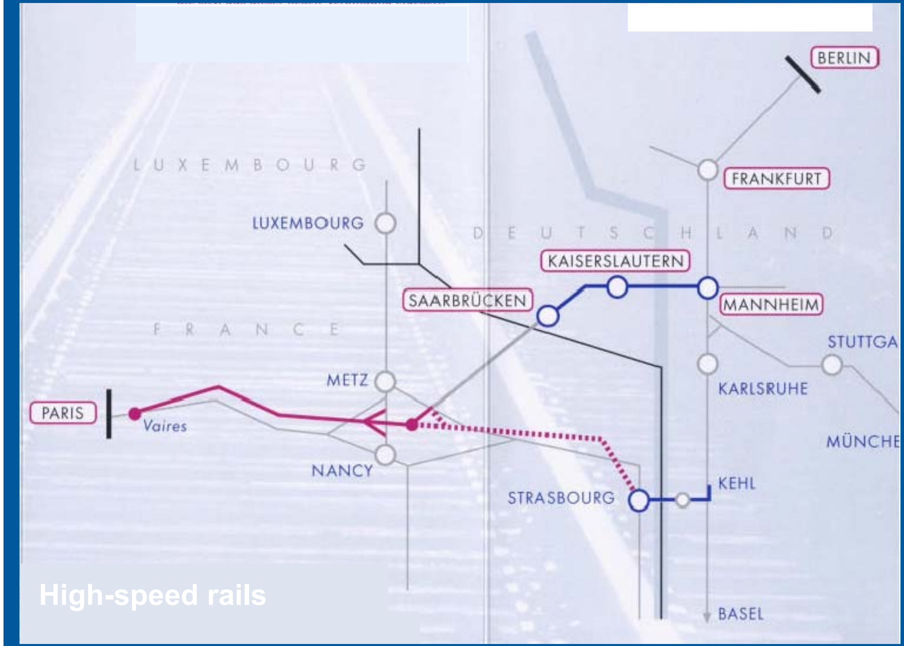
Road distances from Saarbrücken, capital of Saarland

- to Paris 205 miles
- to Strasbourg 59 miles
- to Brussels 176 miles
- to Luxembourg 59 miles
- to Stuttgart 147 miles
- to Frankfurt 117 miles
- to Zurich 205 miles



1 Railway

The French and German Governments as well as their national railway companies have decided to connect Paris and Frankfurt by a superfast train (TGV / ICE) which will have a stop at Saarbrücken.



High-speed rails

On the French side, construction is still on the way. It is assumed that this superfast train will run and considerably shorten travelling times from the year 2005 on.

So, travelling times from Saarbrücken to Paris shall be reduced from 3.50 hours now to 1.45 hour. The time of travelling from Saarbrücken to Frankfurt will be shortened from 1.45 hour to less than 1 hour.

Saarland – A Striving Region

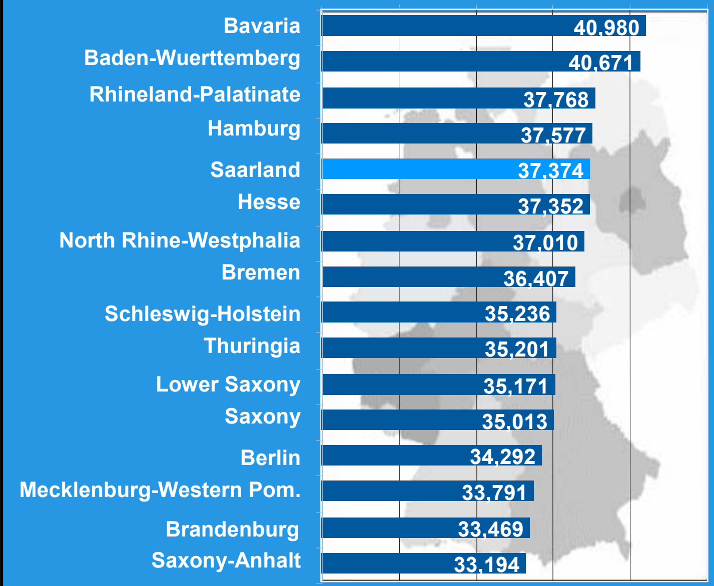
Gross Domestic Product

	at current prices	at prices of 1995
Germany in total	-0.4	1.0
Saarland	**1.0**	**1.4**

(Base: changes in %
1st semester 2002 vs. 1st semester 2001)

Source: Saarland Statistical Office 9/2002

Business Attractiveness of German States

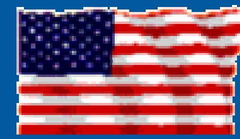


Source: Cap Gemini Ernst & Young, Standortattraktivität, 9/2002

Saarland is an attractive business location: Economic growth in Saarland is the second highest of all German States.

1 International Companies

U.S. Companies in Saarland



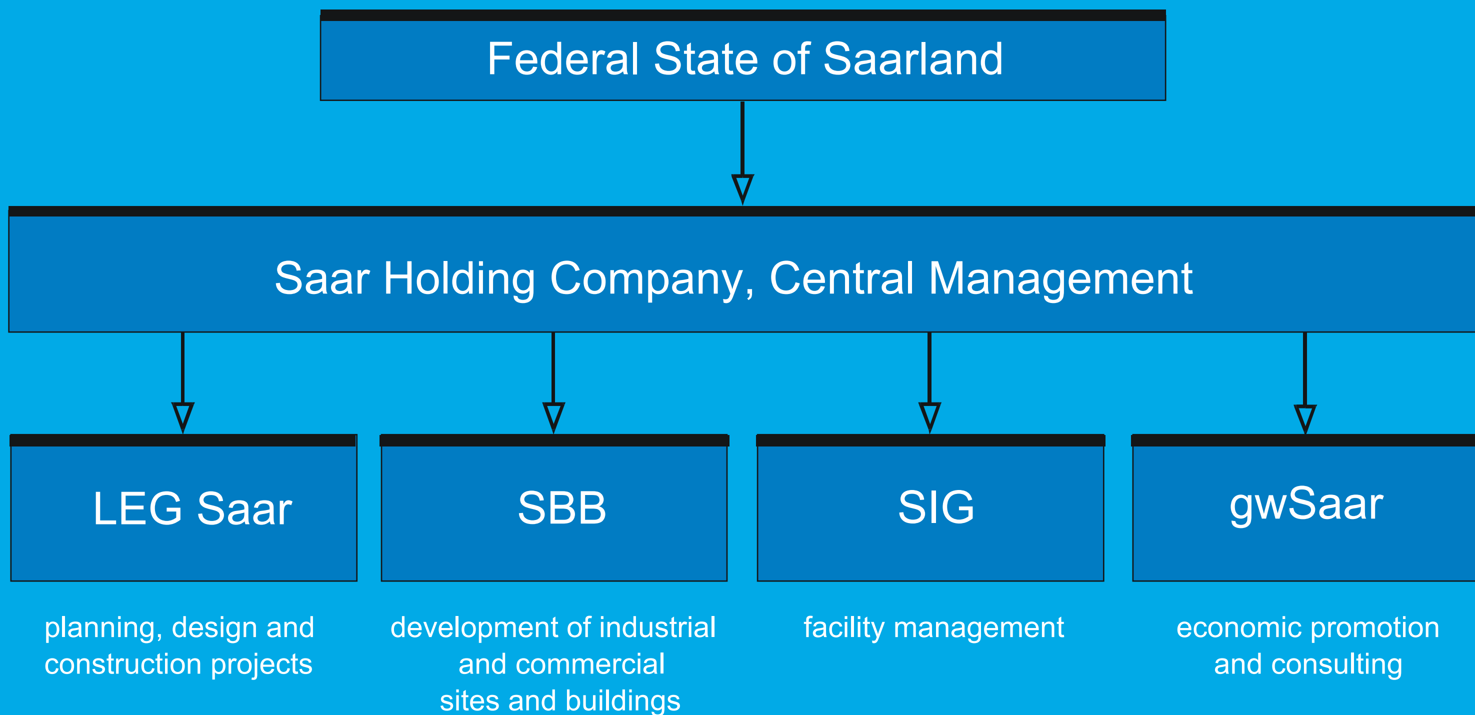
Name	City	Activity
Ford Werke	Saarlouis	Car production
Allied Signal Aftermarket Europe	Neunkirchen	European distribution center
Columbus Foundry GmbH	Neunkirchen	Production of safety brake parts
Fiber Tech Group Inc. PGI Nonwovens	Neunkirchen	Production of nonwovens
Johnson Controls	Saarlouis	Production of passenger car seats
Chamberlain (CWI)	Saarwellingen	European headquaters, production of automatic garage door openers
Depuy Orthopädie GmbH	Sulzbach	Distribution center for continental Europe
Whirlpool (Bauknecht Haushaltsgeräte GmbH)	Neunkirchen	Production of dishwashers
Fusion GmbH	Niederwürzbach	Production of welding and solding machinery
Kennametal Hertel GmbH	Neunkirchen	European distribution center
Intel	Saarbrücken	Chipdevelopment
Adler Vertriebs GmbH & Co KG	Saarbrücken	German-French call center for giveaways

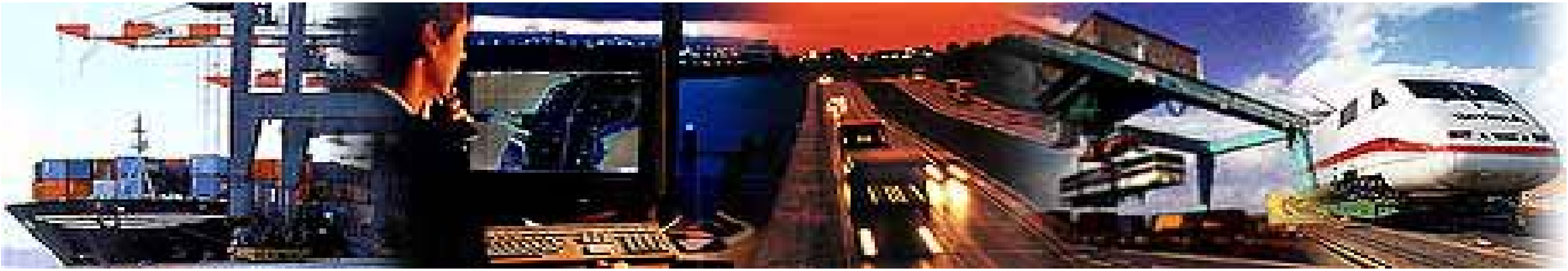
U.S. Companies in Saarland

Name	City	Activity
Tenneco Automotive	Saarlouis	Production of exhaust systems
Diamand Multimedia Systems	St. Ingbert	Production and sale modems
MTD Products AG	Bübingen	European headquaters, production of gardening equipement
Lear	Saarlouis	Production of automotive wiring systems
Magna Pebra	Sulzbach	Production of plastic parts for cars
Land´s End	Mettlach	German call center for mailorder business
AOL Bertelsmann America Online Services	Saarbrücken	German call center for online services
Visteon	Saarlouis	Production of cockpit modules
Topometrix	Saarbrücken	Sales and research office
Textron (Bauer, Schaurte & Karcher GmbH	Beckingen	Production of screws
Stahls GmbH	Dillingen	European headquaters
Advanced Bionics	Merzig	National Sales office
Welocalize	Saarbrücken	Software Adaption
Eurotec	Merzig	Mechanical engineering

8 One Stop Shopping

One stop shopping for investors provided by the Saar Holding Company



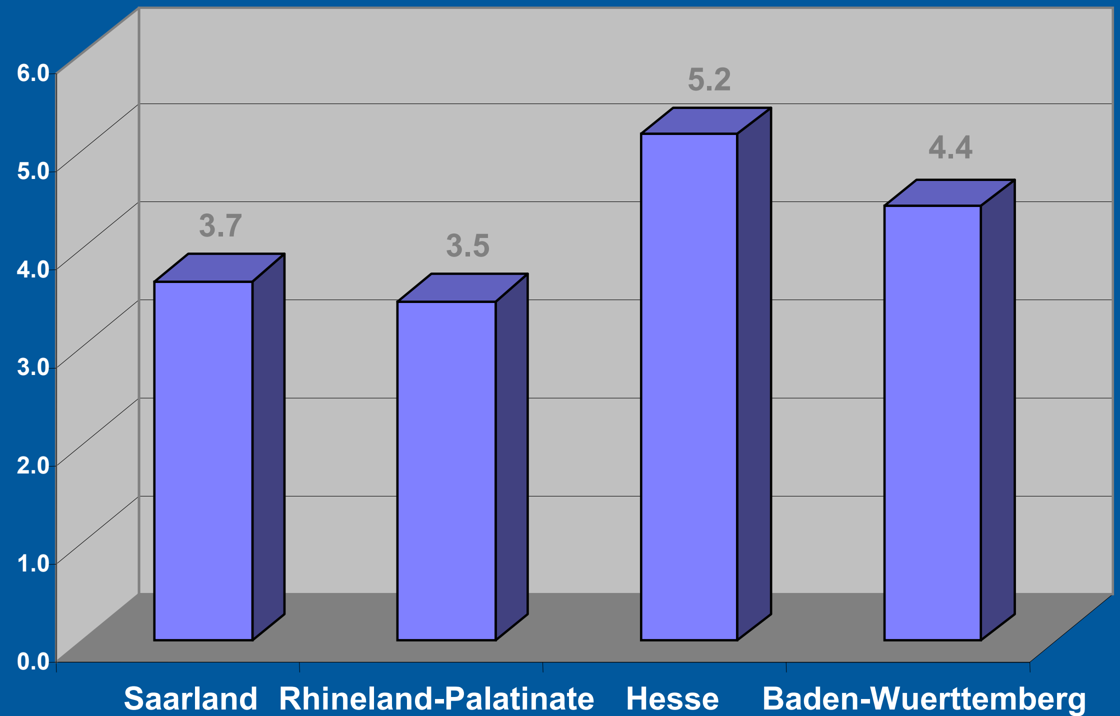


Logistic secures competitiveness

- Consolidation of international businesses
- Increasing concentration on core competences
- Need to reduce costs and optimize budgets
- New structuring of the supply chain management
- New organizaton of distribution processes
- Outsourcing of all logistic processes to specialized service providers

Employed in the Logistics Sector

Employed at freight forwarding companies per 1,000 inhabitants



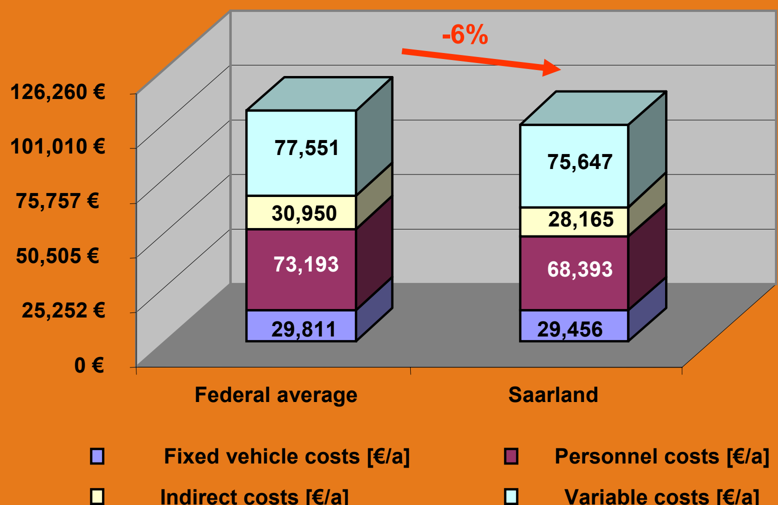
2

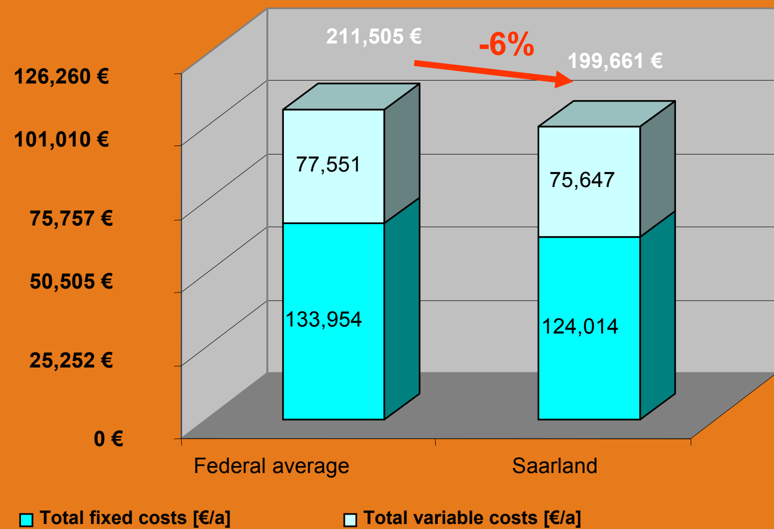
Cost of Roadway Transportation

Cost of Roadway Transportation

Truck, 5 axial, kilometers driven: 80,000 km/a

Source: TransCare AG, 2001

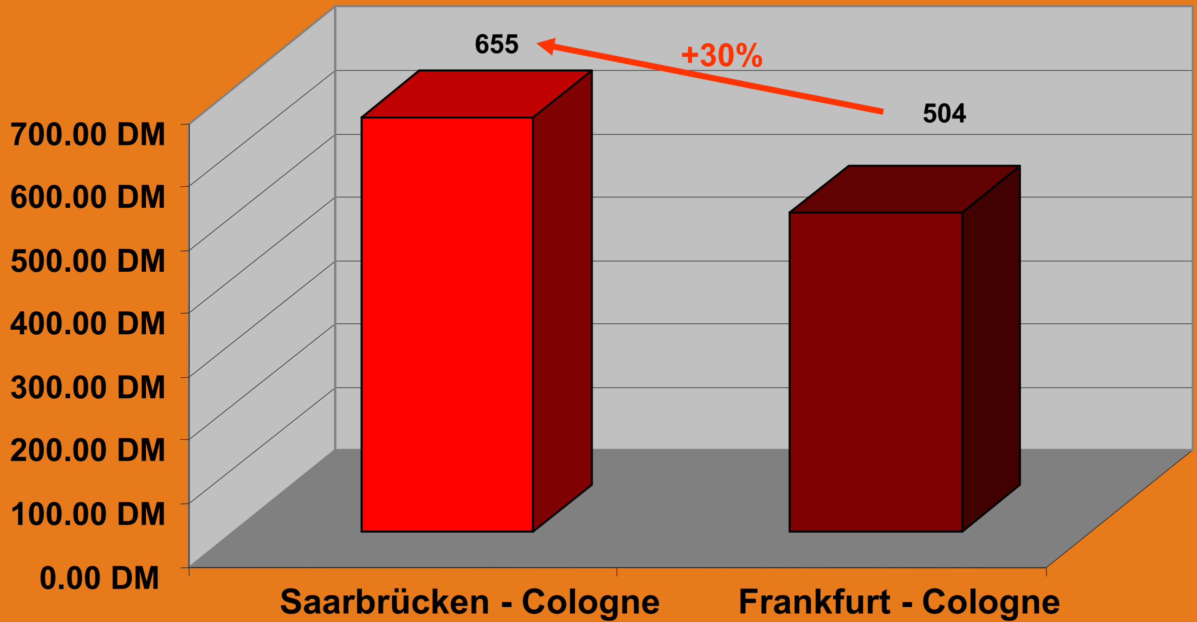




➔ Competitive advantages mainly through low personnel cost

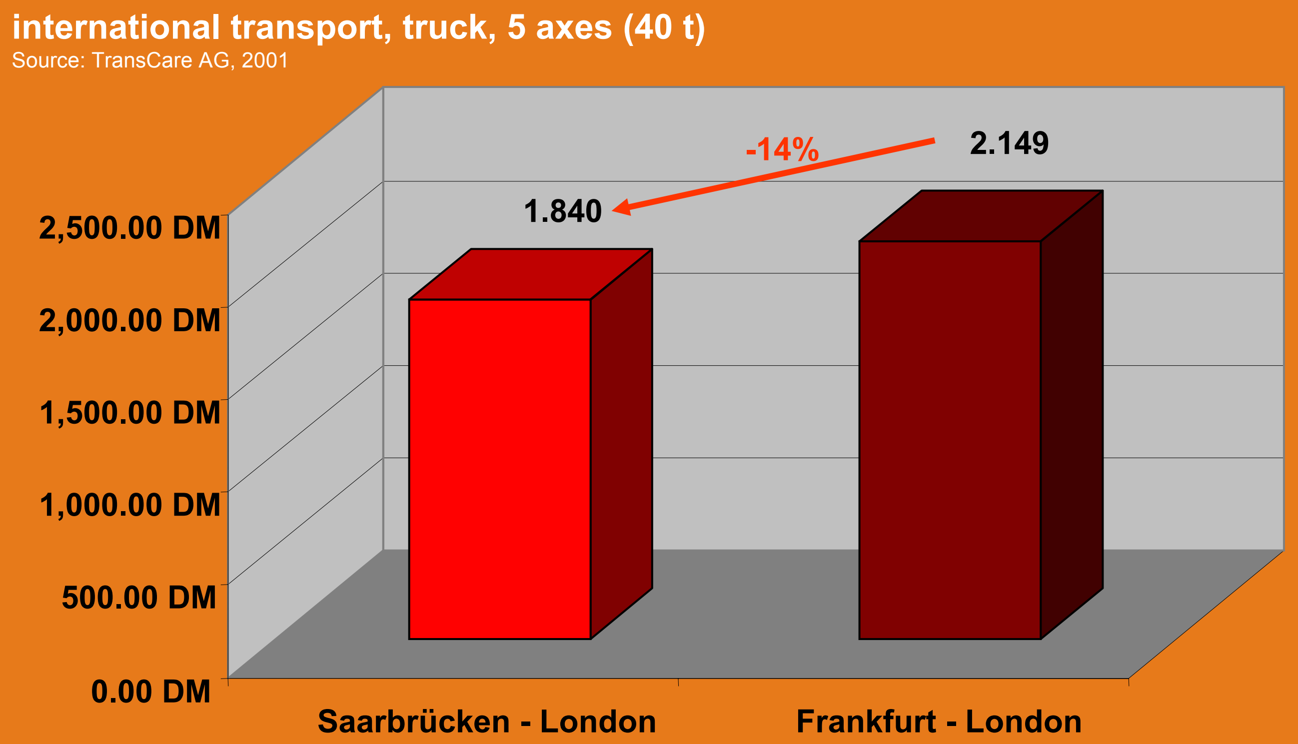
Raodway Transportation Cost

national transport, truck, 5 axes (40 t)
Source: TransCare AG, 2001



➔ The region´s competitive advantage regarding national transports is clearly overcompensated by locational disadvantages against the Rhine-Ruhr-Area.

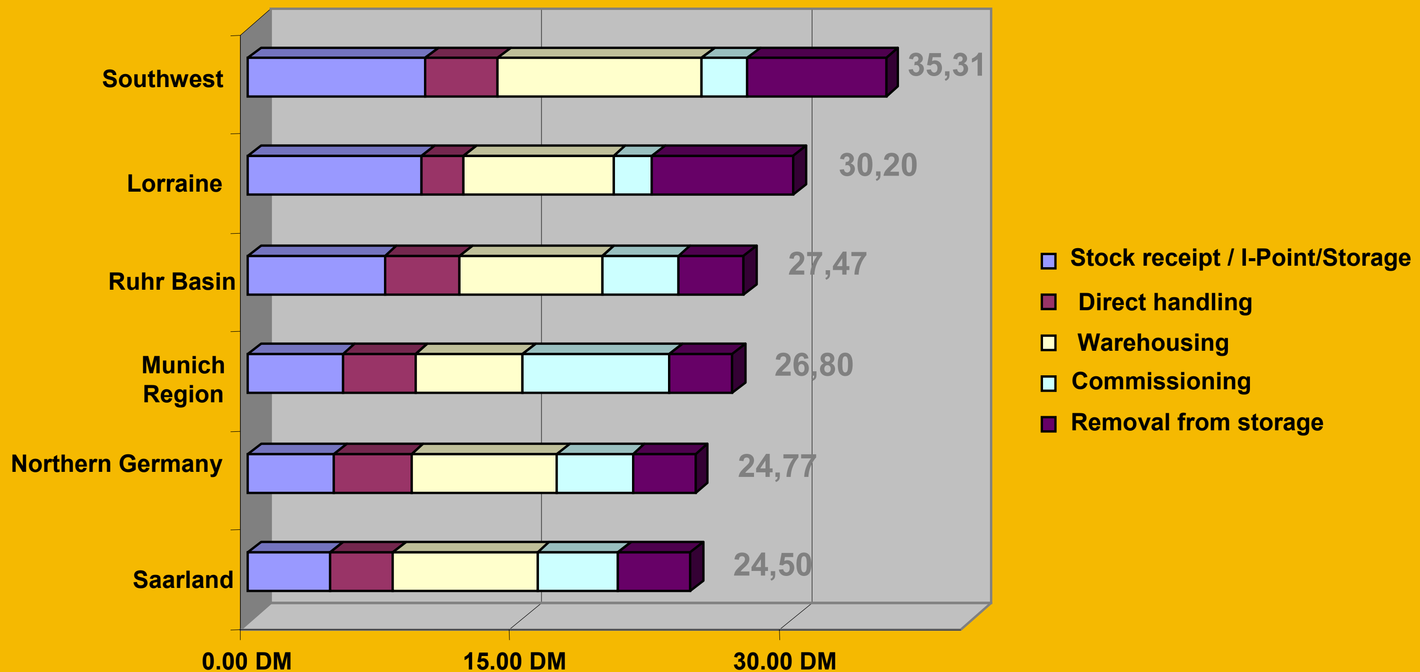
Roadway Transportation Cost



➔ Saarland´s competitive advantage is even increased by its geographical advantage against the Rhine-Ruhr-Area.

3 Logistic Processes

Cost of selected logistic processes per pallet and month
Source: TransCare AG, 2001



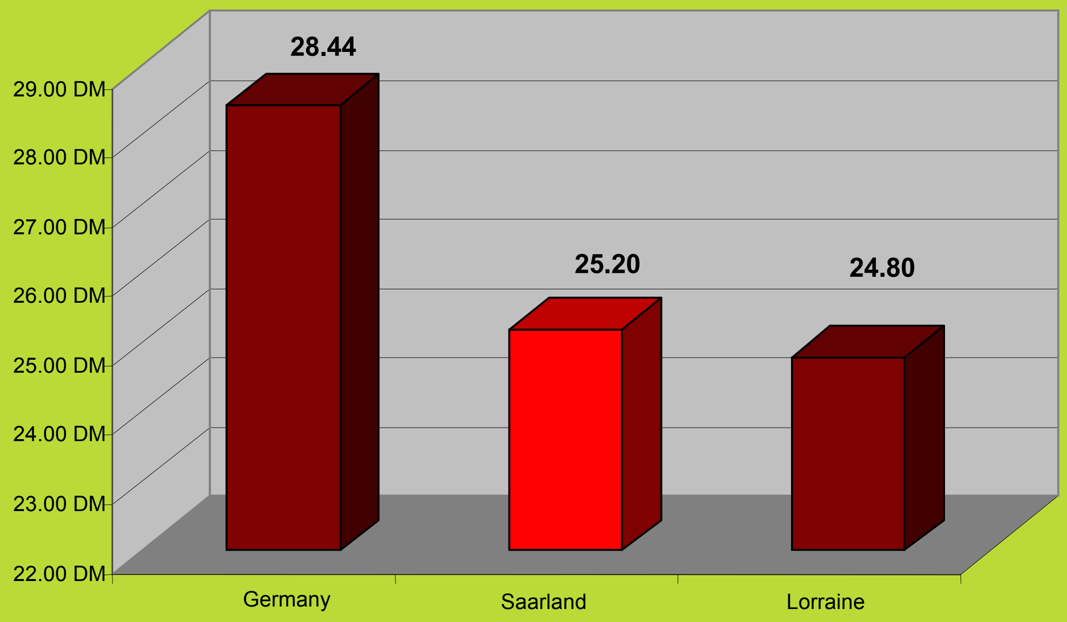
➔ The competitive advantage in all parts of the process brings locatonal advantages against other West German regions and neighboring foreign countries.

4

Personnel Cost

Average costs per employed in the transportation and logistics sector

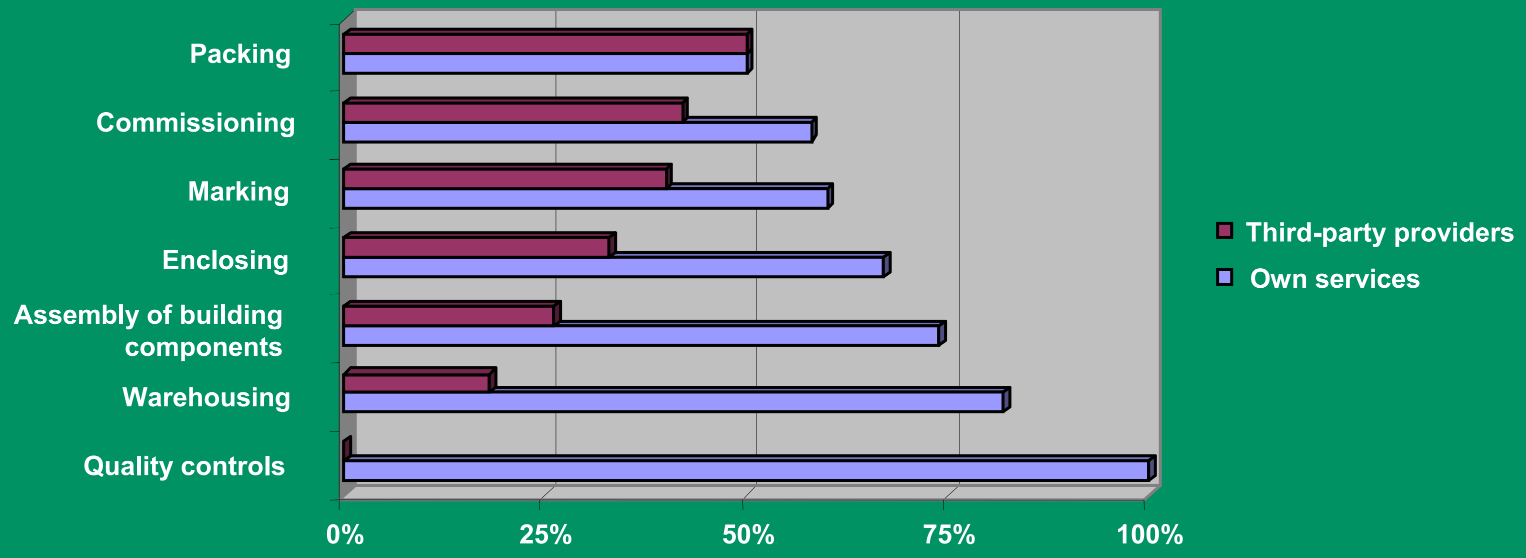
Source: TransCare AG, 2000



➔ Competitive locational advantages in Germany, but internationally strong competitors from neighboring Lorraine.

6 Outsourcing Potentials

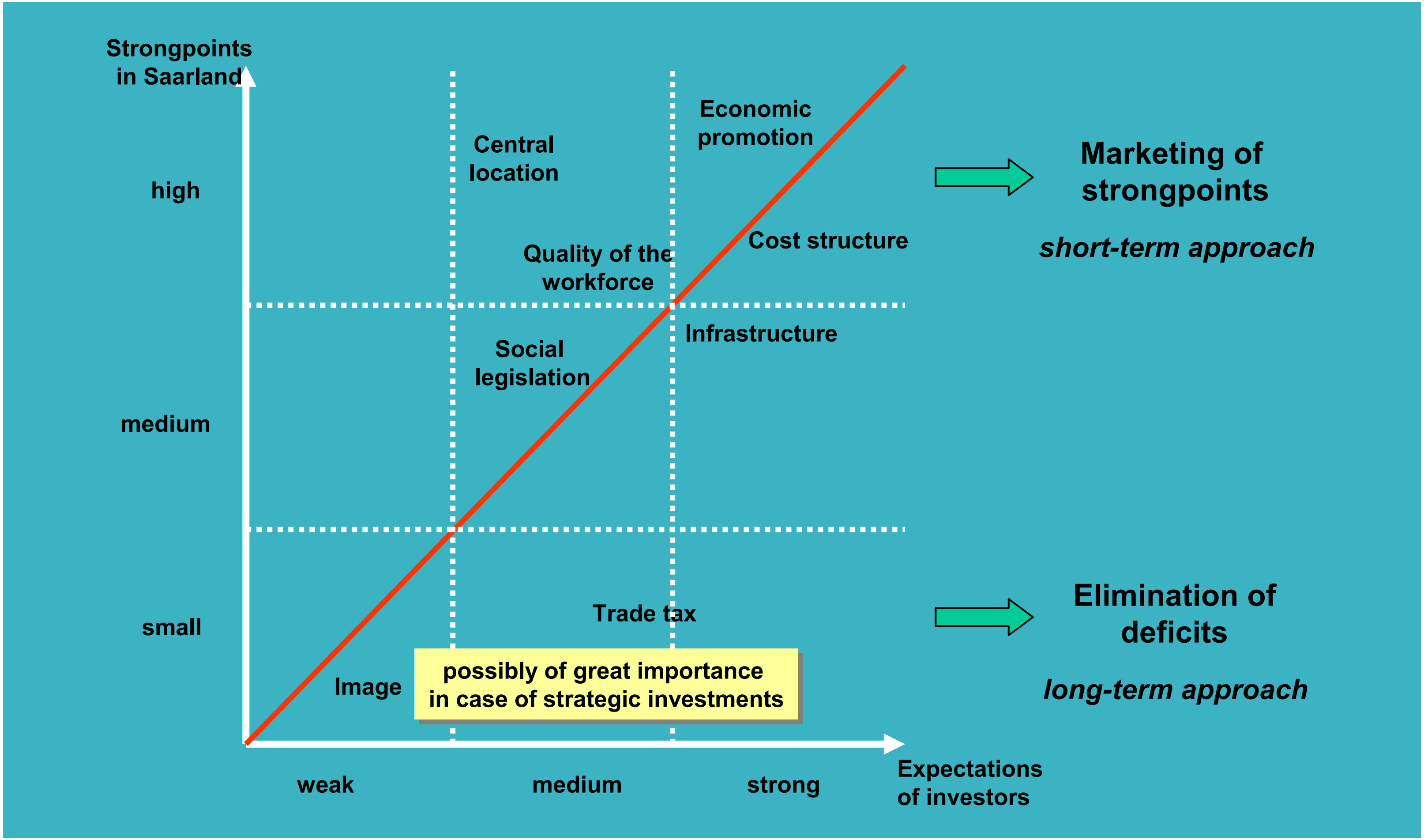
Statements of local logistic service providers and loading companies on the importance of third-party services in the logistic sector



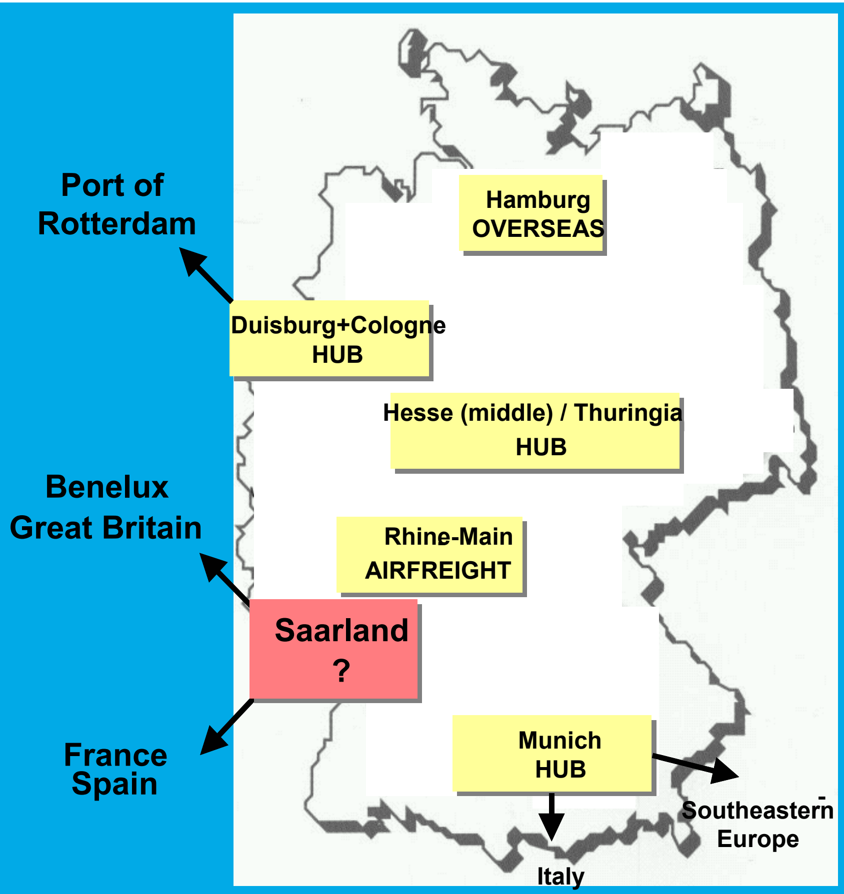
➔ Up to now: complete outsourcing in a few companies only

In particular: relatively high outsourcing potential in the classical sector of warehousing

Summary
Logistics Location Saarland



8 Locational Functions



Development of prospective locational functions for Saarland

- Hub
  for the international exchange of goods i.e. between Germany, Benelux, France, Spain and Portugal

- Distribution Center
  for the European market i.e. central position for logistic, production and commercial companies to serve Southwestern and Northwestern Europe (commissioning, con-solidation)

- Airfreight Center
  for the Saar-Lor-Lux region

A Case Study

Facts & Figures 2001

SHIPMENTS: 22,8 Mio

EMPLOYEES:
10.700

WAREHOUSE SPACE:
682.000 qm

TURNOVER:
1.8 Bill. Euro

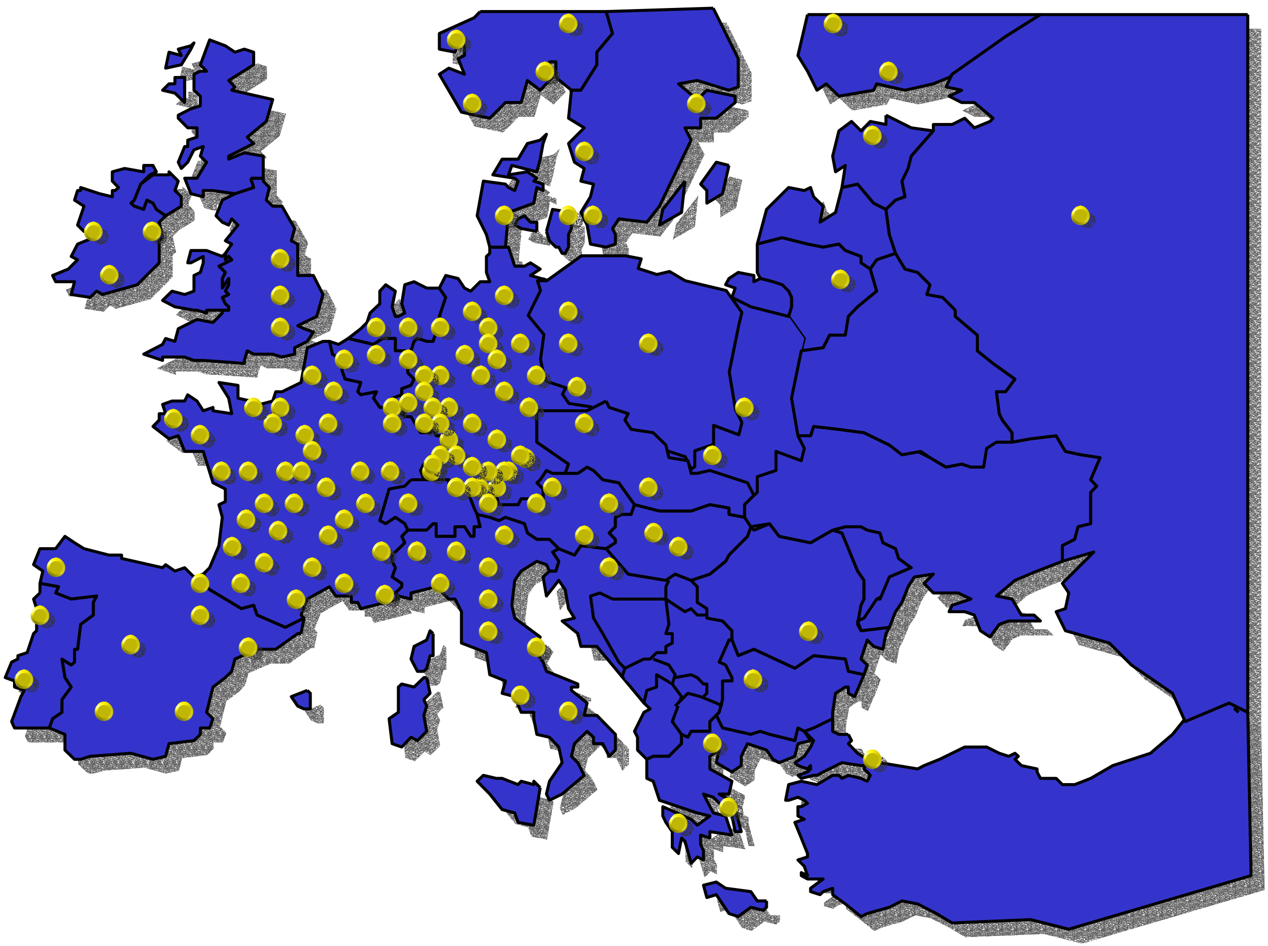
TONNAGE:
9,6 Mio. t

WORK SPACE:
2,3 Mio. qm

PROFIT CENTER:
156 worldwide

TRANSPORT UNITS:
5.860

Network in Europe

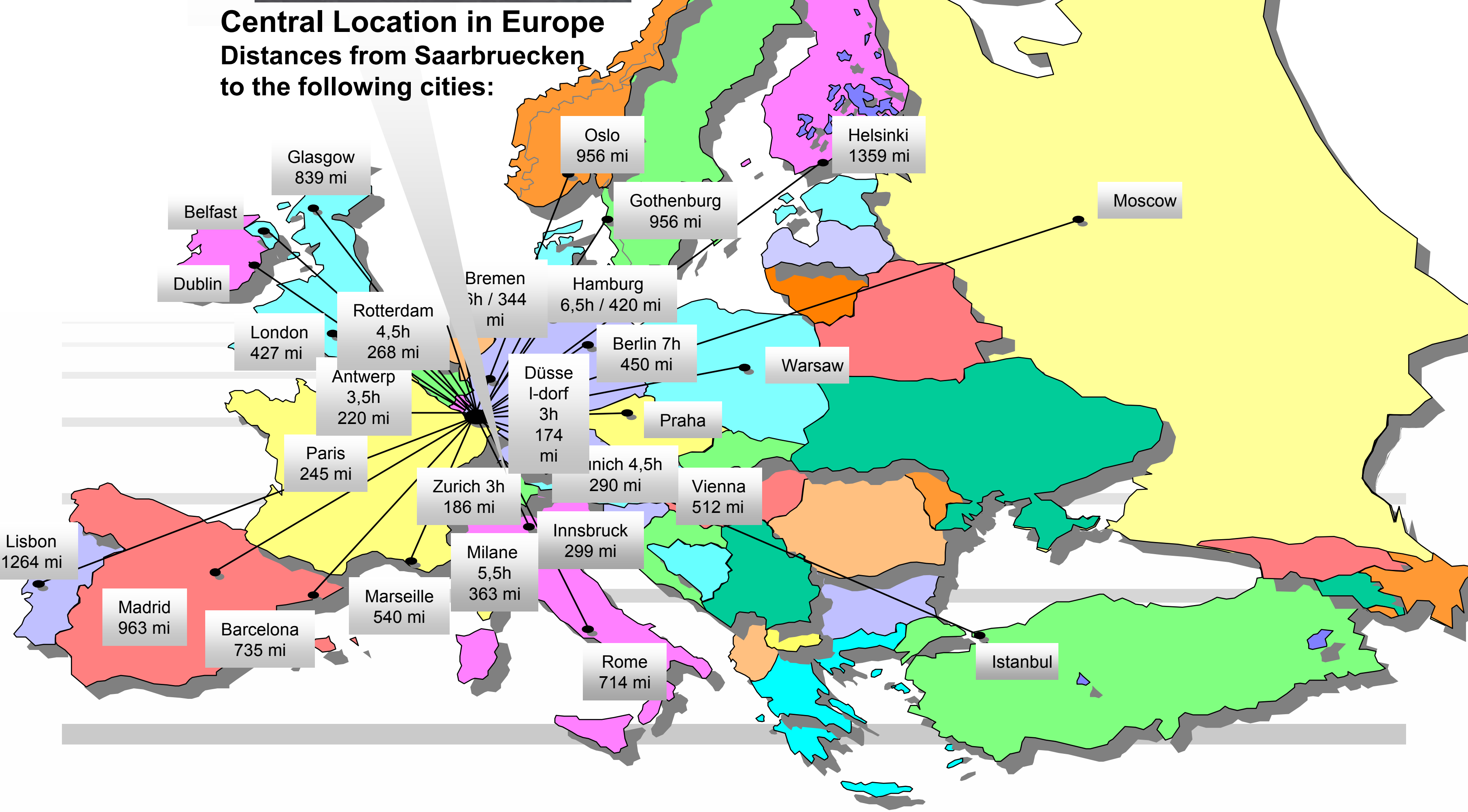


Network in Germany

Intelligente Logis

Central Location in Europe

Distances from Saarbruecken to the following cities:

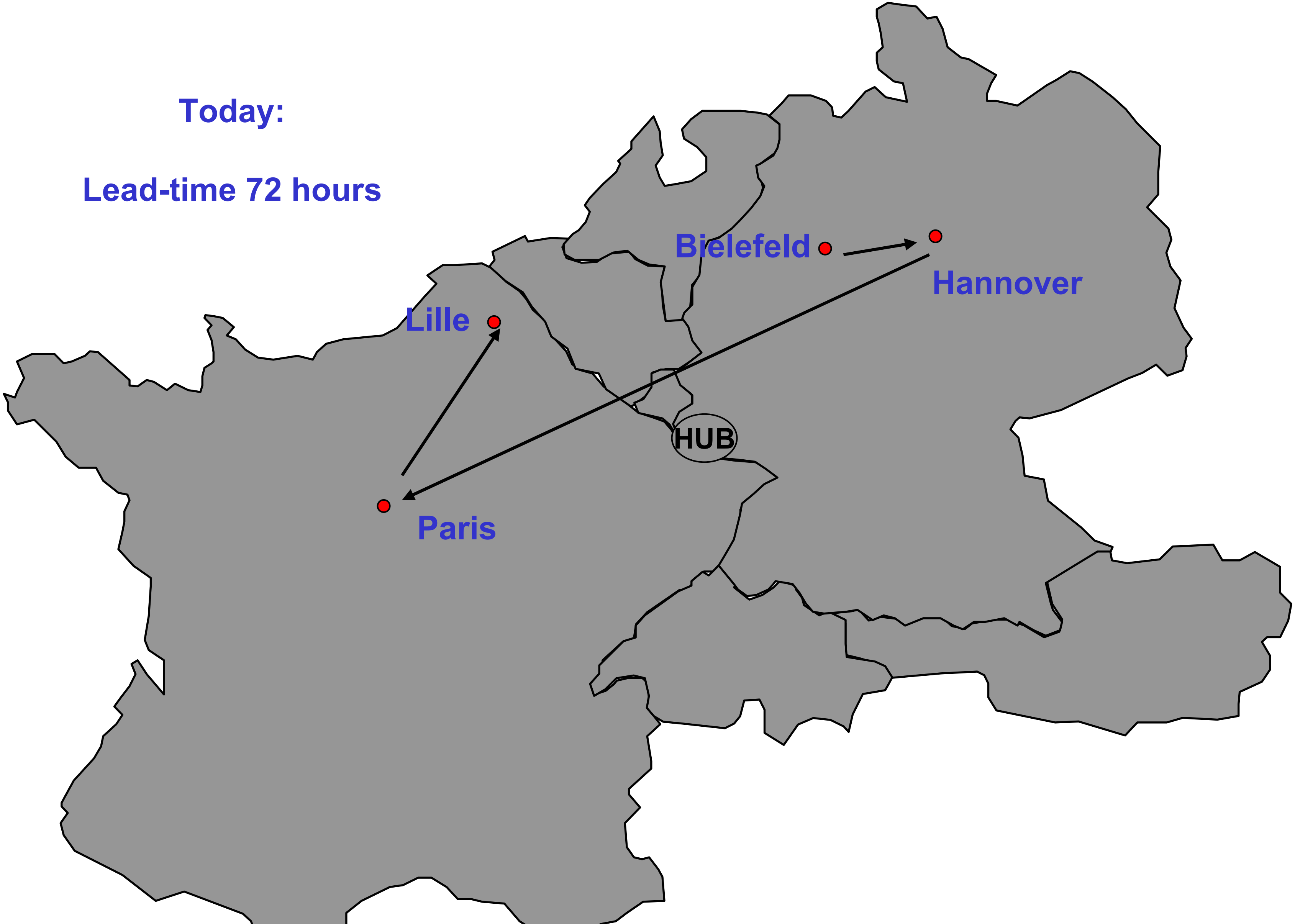


The Europe-HUB in Saarland is the centre of DACHSER`s european Network

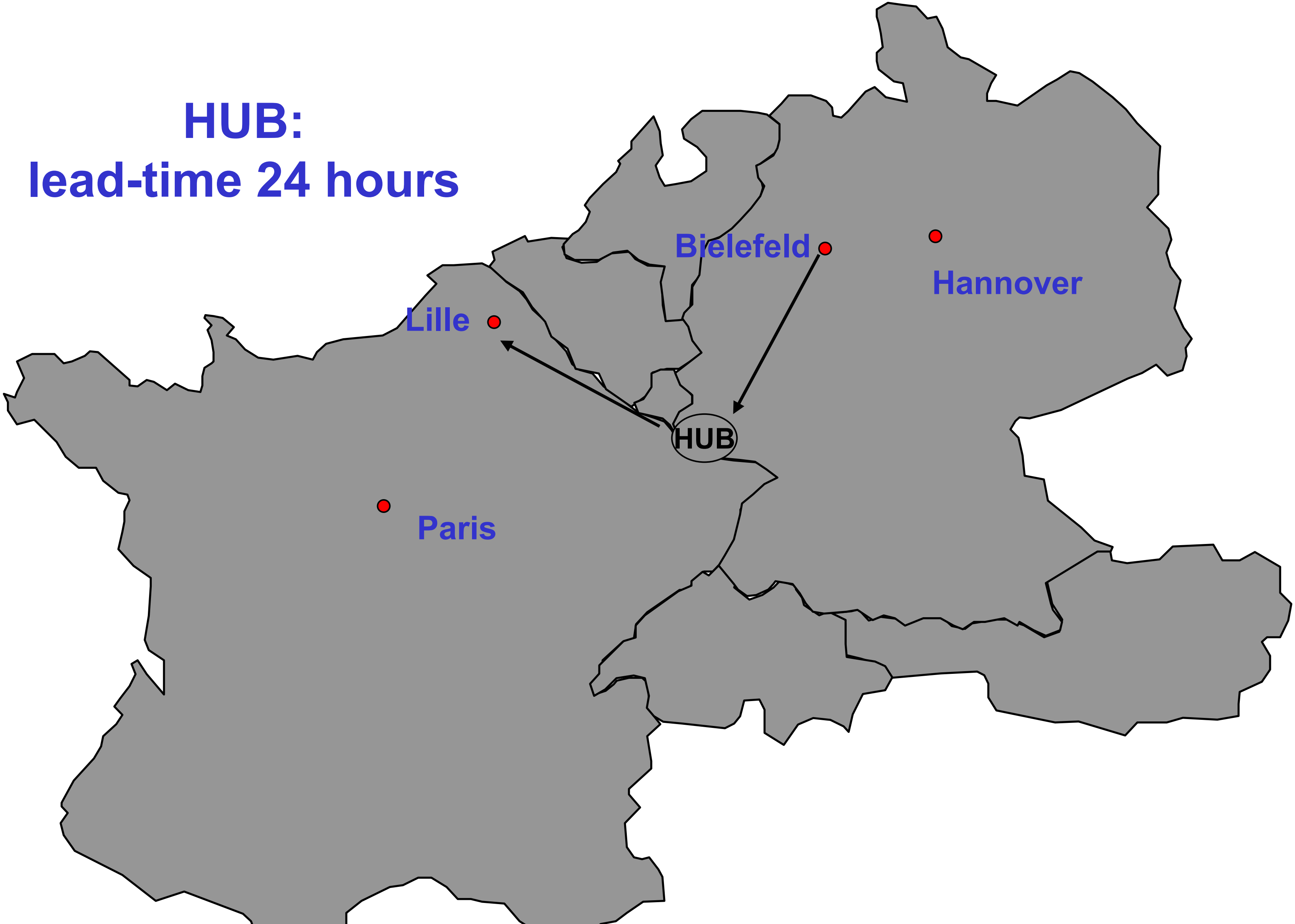
Intelligente Logis

Today:

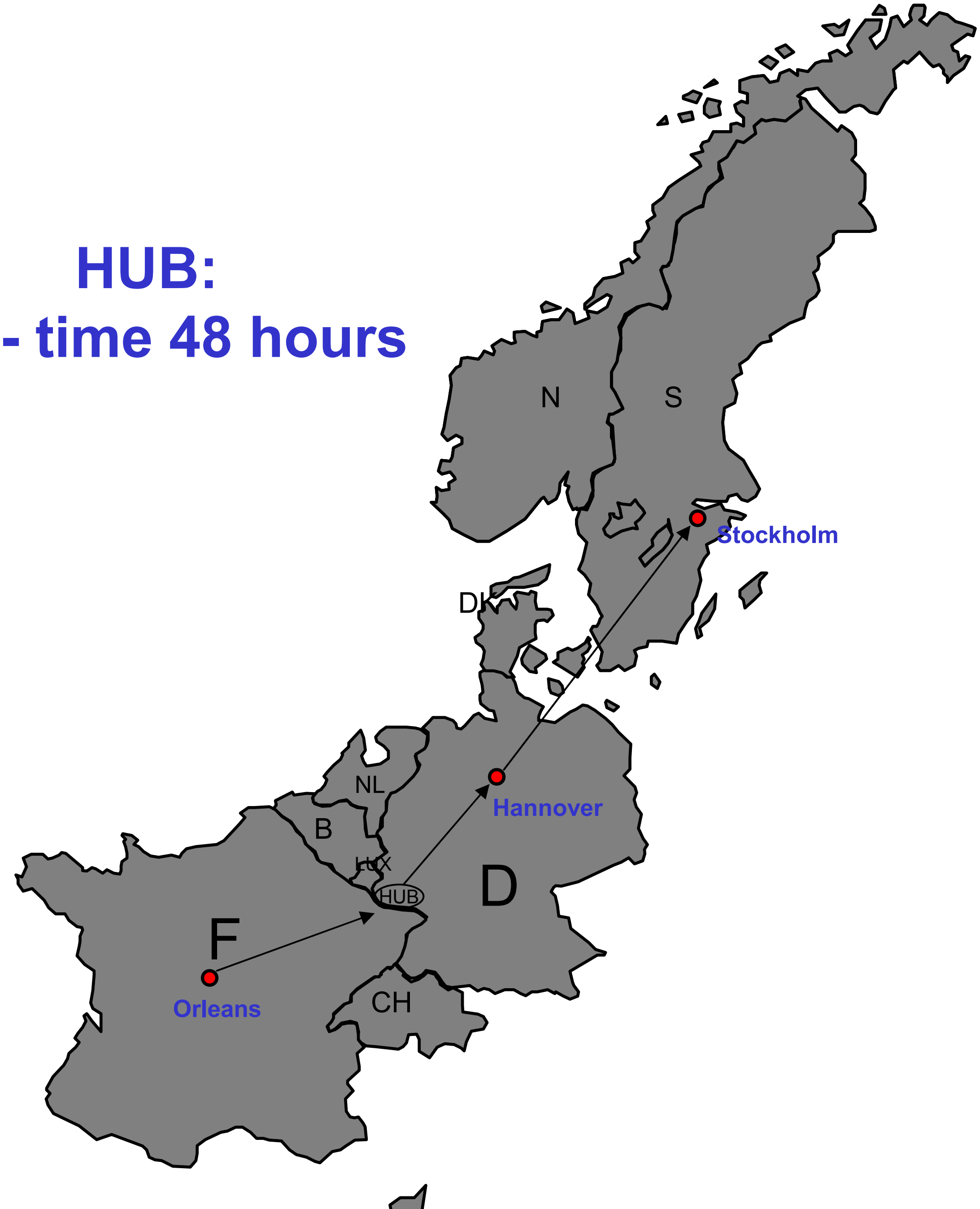
Lead-time 72 hours



HUB:
lead-time 24 hours



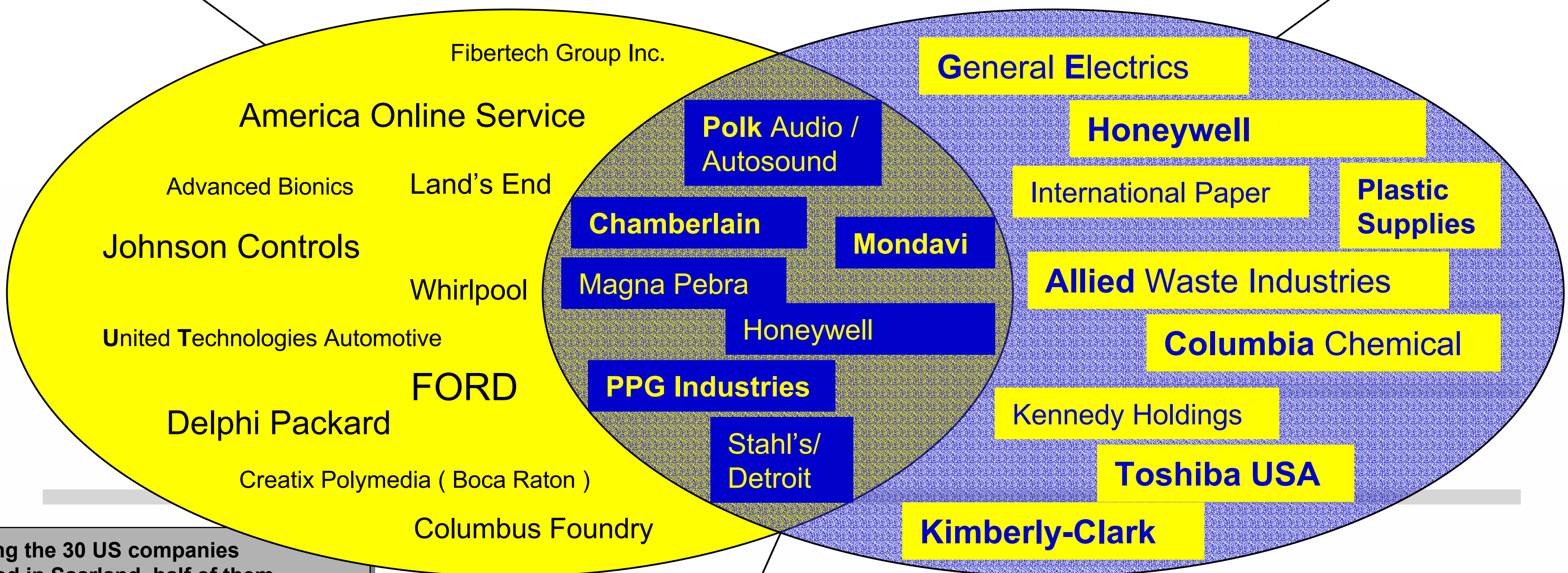
HUB:
lead- time 48 hours



DACHSE
Intelligente Logis

Some American Enterprises in Germany's Saarland

Some of DACHSER's American Customers References



DACHSER's American Customers References in Saarland

nong the 30 US companies cated in Saarland, half of them ve - besides European headquarters - eir European rehouses/distribution- d Call centers in Saarland. ey all have selected Saarland as a cation for their Europe-wide

Distribution Project

Chamberlain GmbH

Who is Chamberlain GmbH?

- *100 % subsidiary company of Chamberlain Inc.*
- *Worldwide leading supplier of garage door openers for the retail and professional market*
- *Worldwide Market share > 60 %*
- *Head-Office in Elmhurst, Chicago, Illinois,USA*
- *Plants: USA, Mexico,Germany*
- *Worldwide employees: > 5000*

Sales and Distribution Network of Chamberlain GMBH

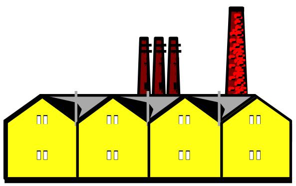
- *Europe*
- *Middle - East*
- *Africa*
- *Asia/Pacific*
- *Australia*
- *All countries with 230 voltage energy supply*

Stock-management DACHSER

- *On-line - link with MIKADO*
- *On-line-information on available stock*
- *On-line information on order processing*
- *On-line information on pickings and stock movements*
- *Feedback to Chamberlain about their stock at the end of each day*
- *All information and feedbacks are treated via EDI*
- *Daily statistics and evaluations*

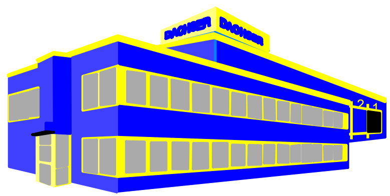
Shipping order procedure

CHAMBERLAIN

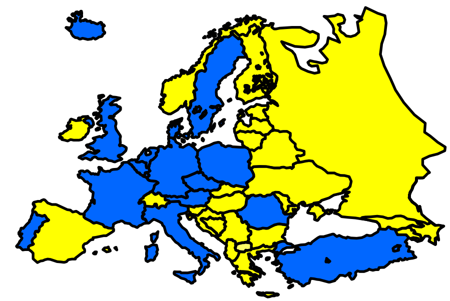


EDI

Dachser Warehouse



Customer



Order

Order acceptance

Order processing

Order-pickings

Ready for shipment

Dispatch/Distribution

Lead-times according to

chosen products

X - 1

X+1 X+2 (X+3)

24h 48h (72h)

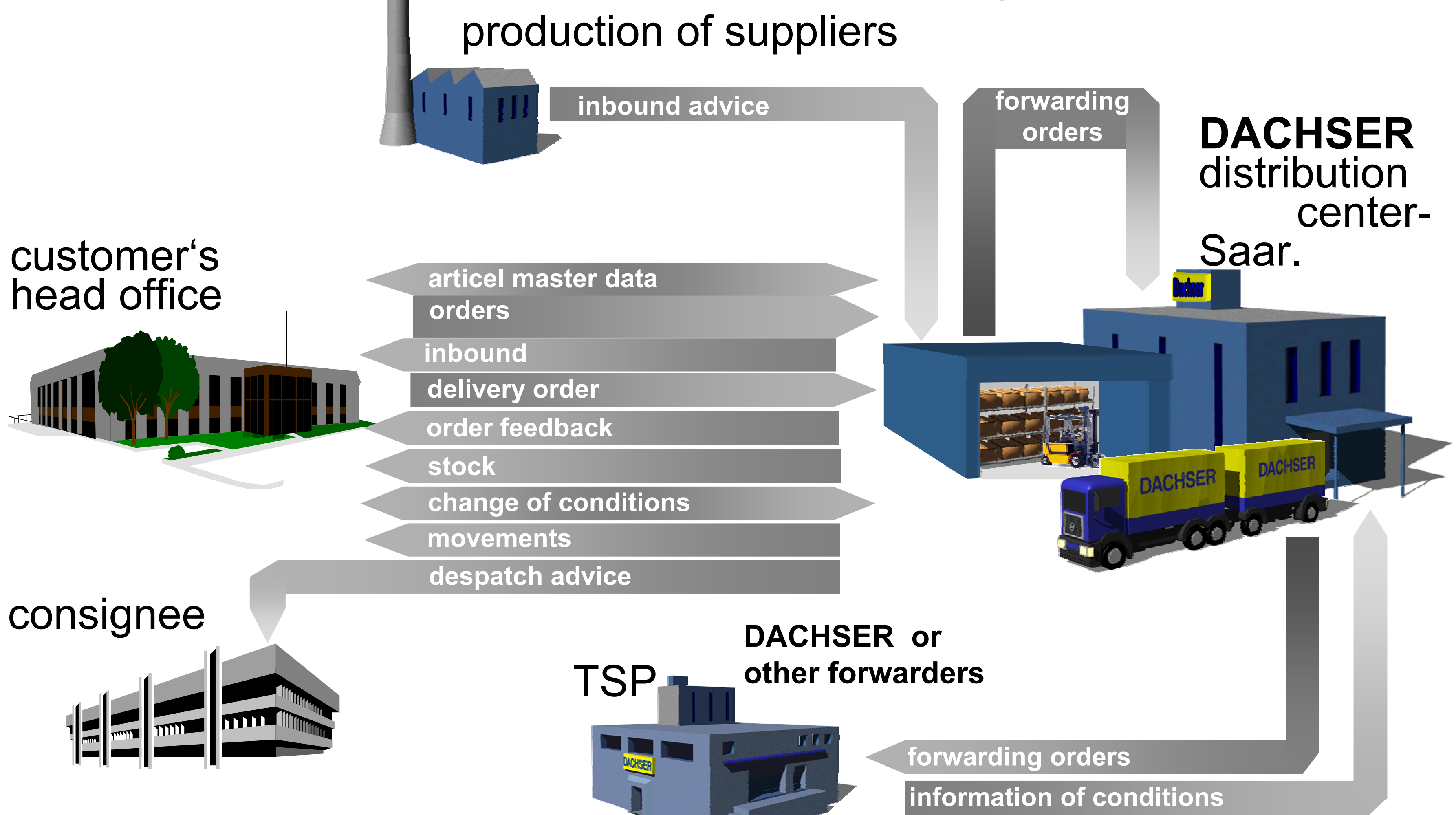
Europe Distribution

Winery Robert Mondavi

California USA

WINERY ROBERT MONDAVI USA

information flow supply chain



In the middle of Europe

The Future
Trends, Targets and Challenges

Jochen Flackus
Head of the Department for Innovation
Ministry of Economics

Impacts

- *Challenge:*

  Internationalization, outsourcing, e-business, SCM

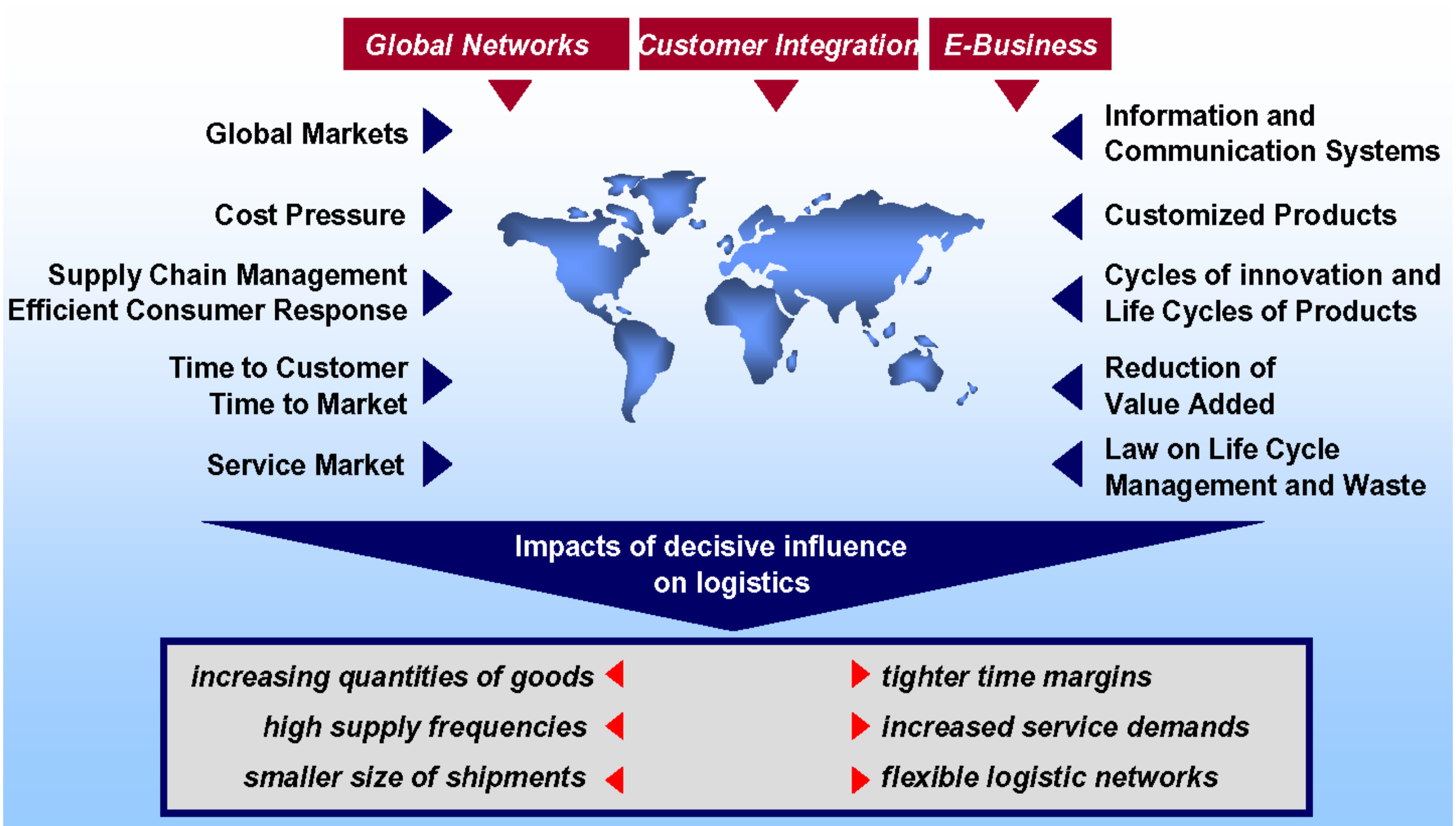
- *Opportunities*

  New functions, new markets

- *Prognosis*

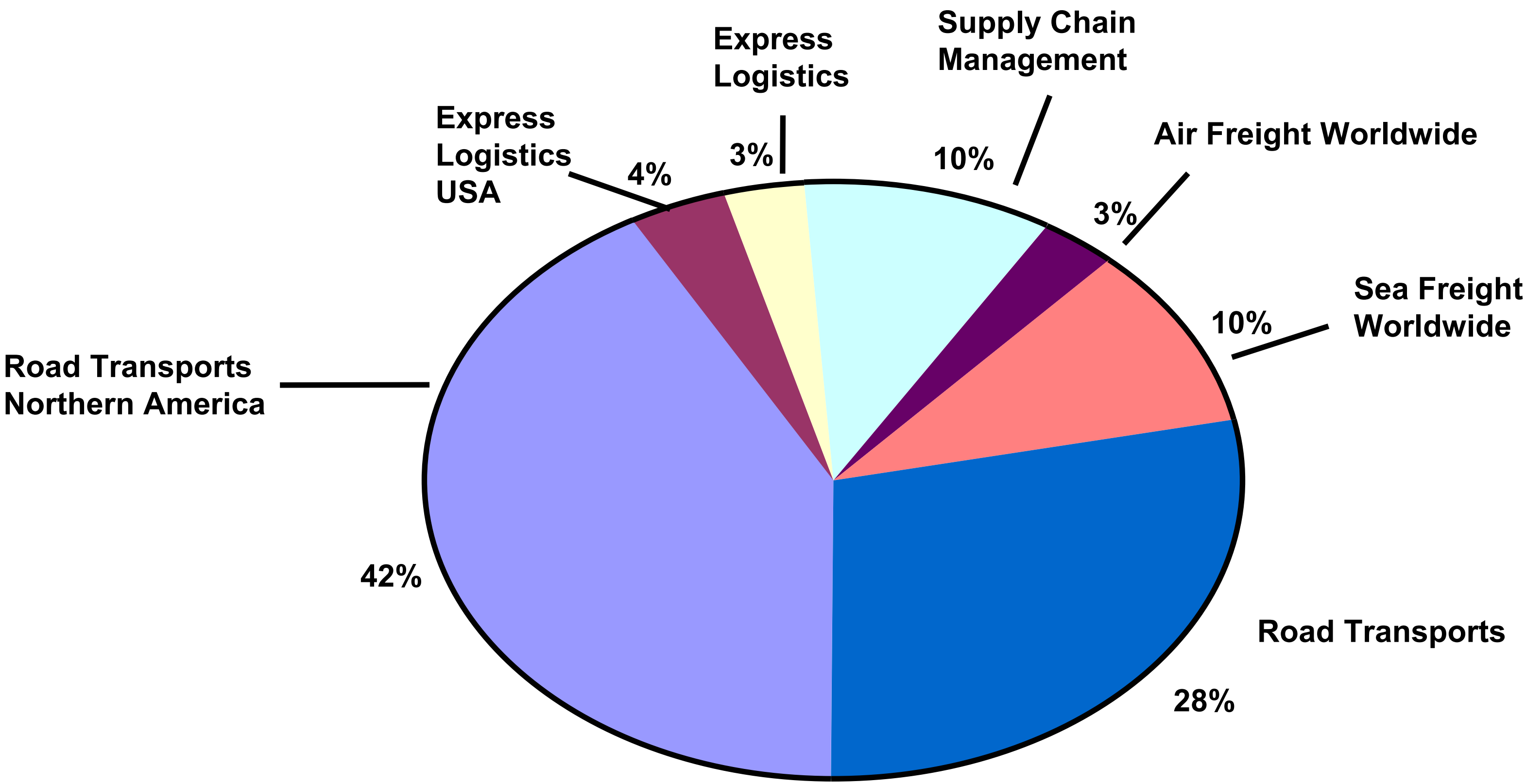
  A branch growth of 10-15 % is expected in Europe

Market Scenario and Global Trends in Logistics



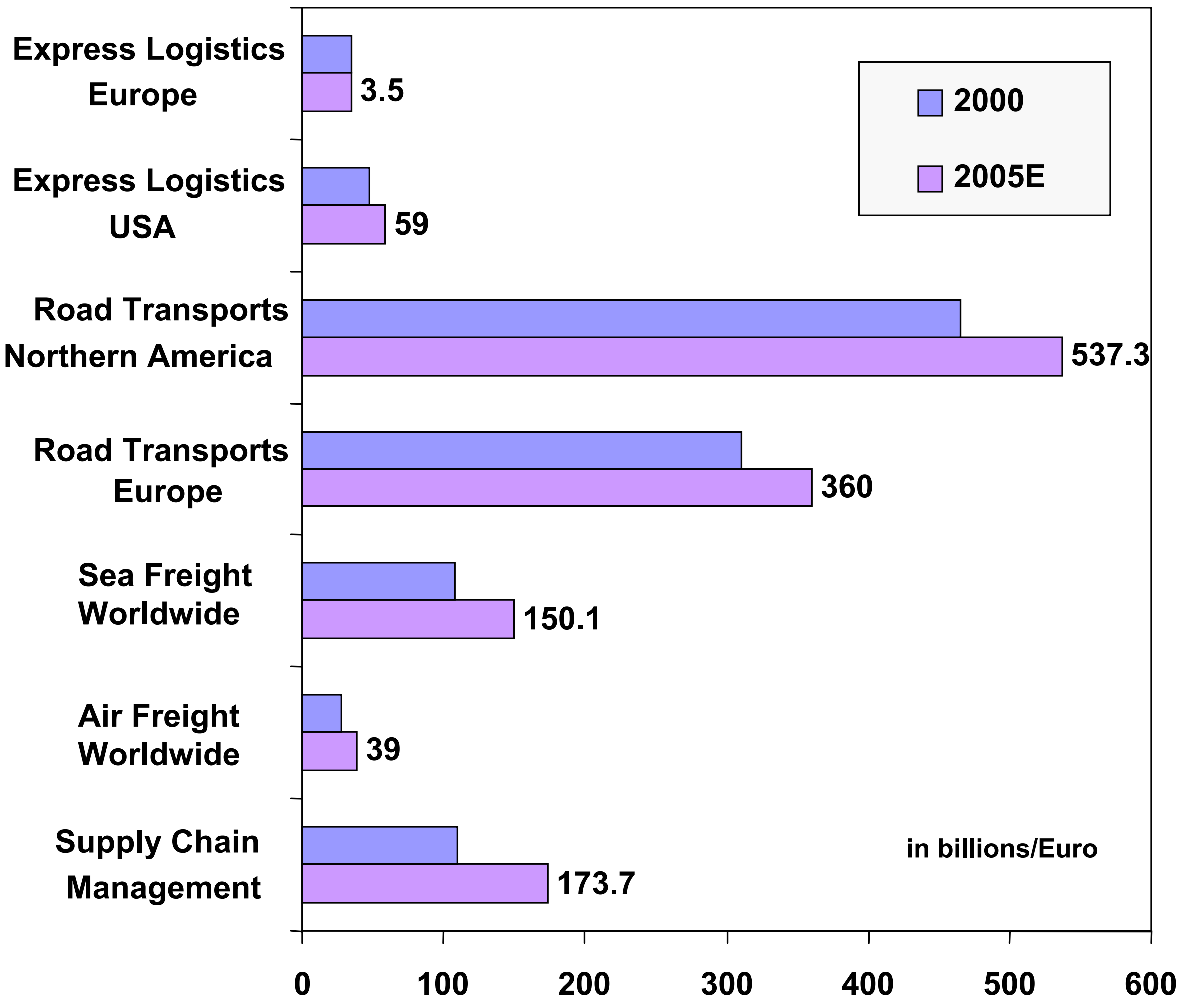
Market Segments Transport and Logistics in 2000

Total Volume Worldwide € 1,100 billions



Quelle: Verdi, Stgt. 2003

Impacts



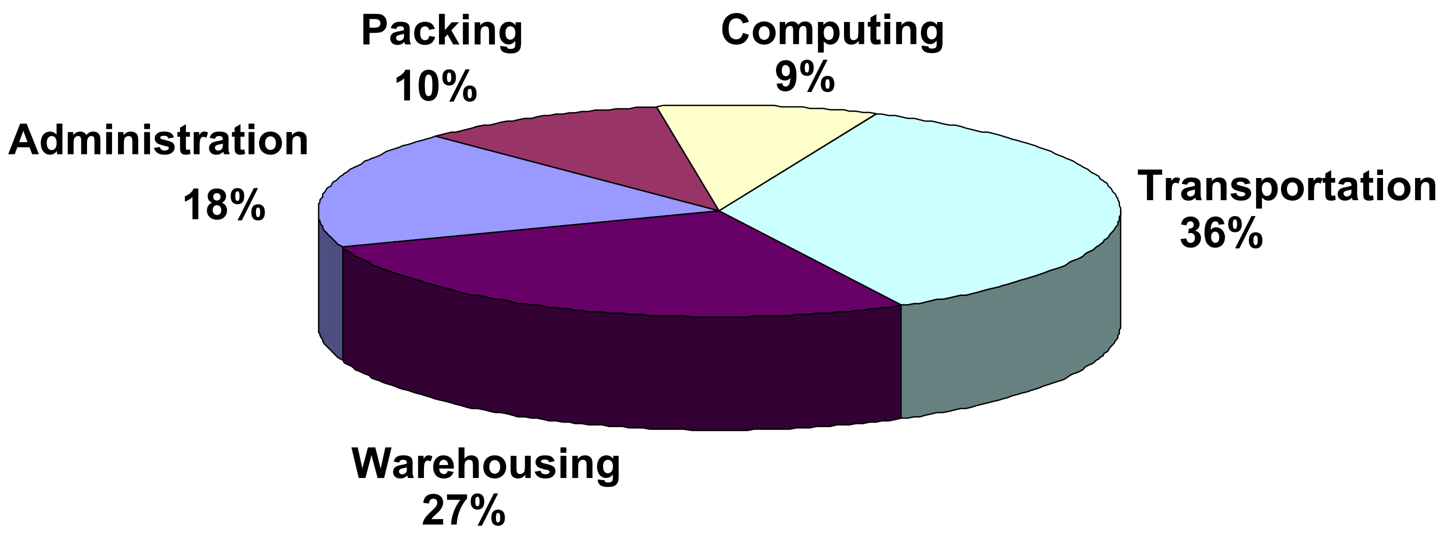
Source: Bank Leu, Sept. 2001 (Study on the Logistic Sector in Europe)

Logistic Growth (p. a.)

• Forwarding	4-5 %
•	
• Air Cargo	8-10 %
• Express Logistics	5-7 % (national) 10-15 % (international)
• Supply Chain Mgnt.	7 % (Europe) 10 %(USA)

Source: Bank Leu, 2001

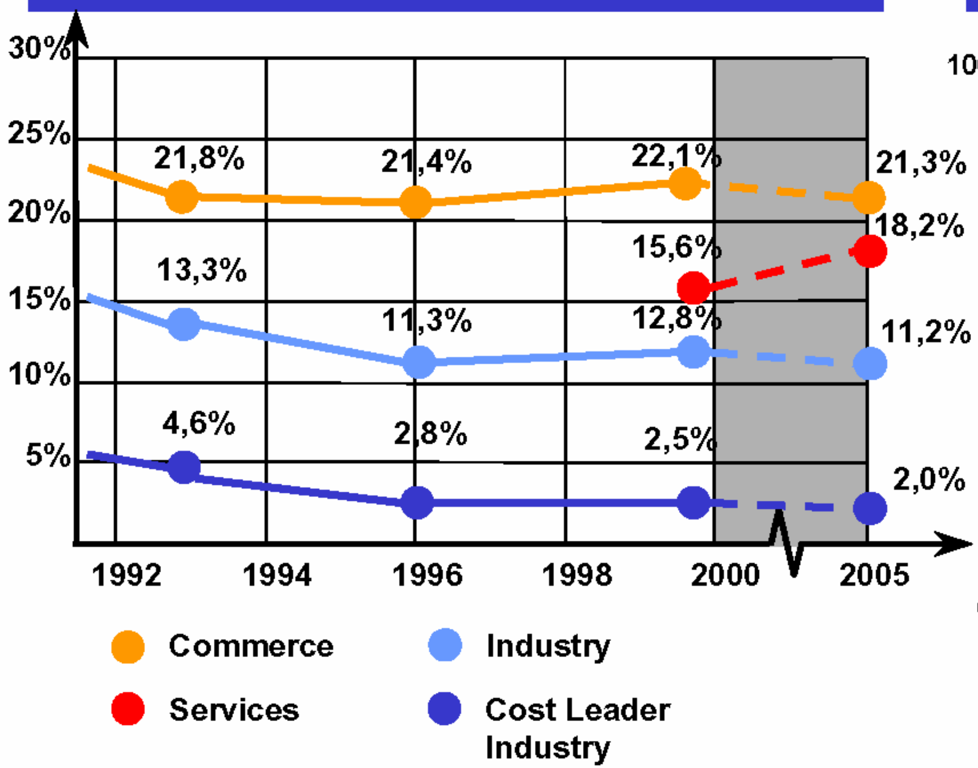
Average Composition of Logistic Costs



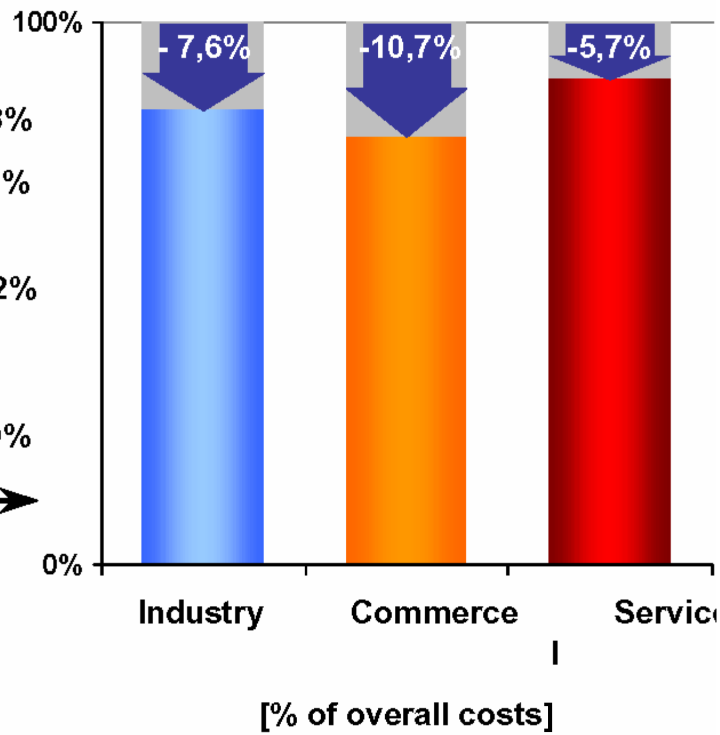
Source: Institute of Logistics and Transport

Costs of Logistics

Development of Costs of Logistics



Cost-Reducing Protentials Through Realization of Logistic Concepts



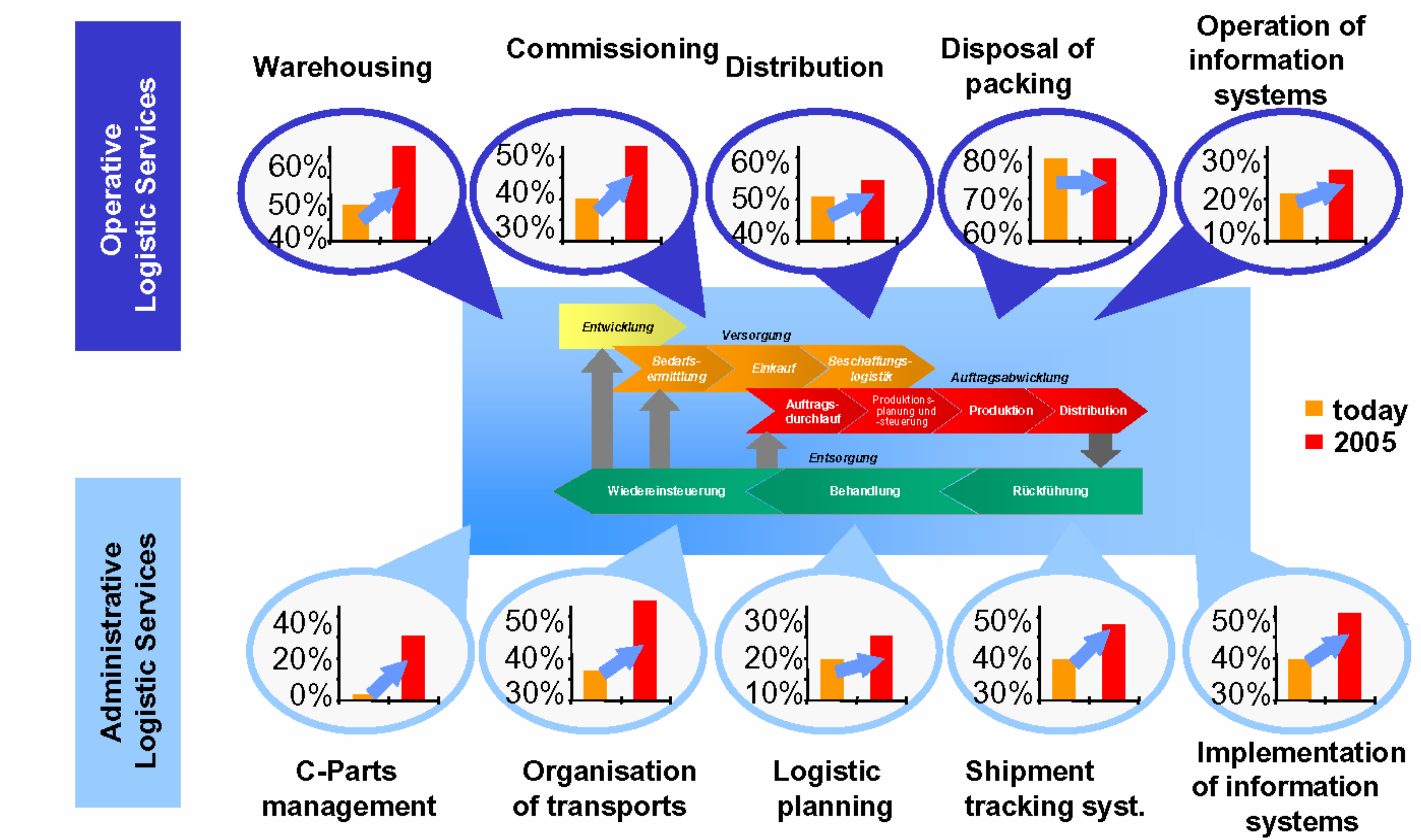
Megatrend Outsourcing

(market volume: 12 billion Euros /Europe)

GB	**39%**
France	**30%**
Germany	**27%**
Scand.	**23%**
USA	**8%**

Europe: Growth 10% per year

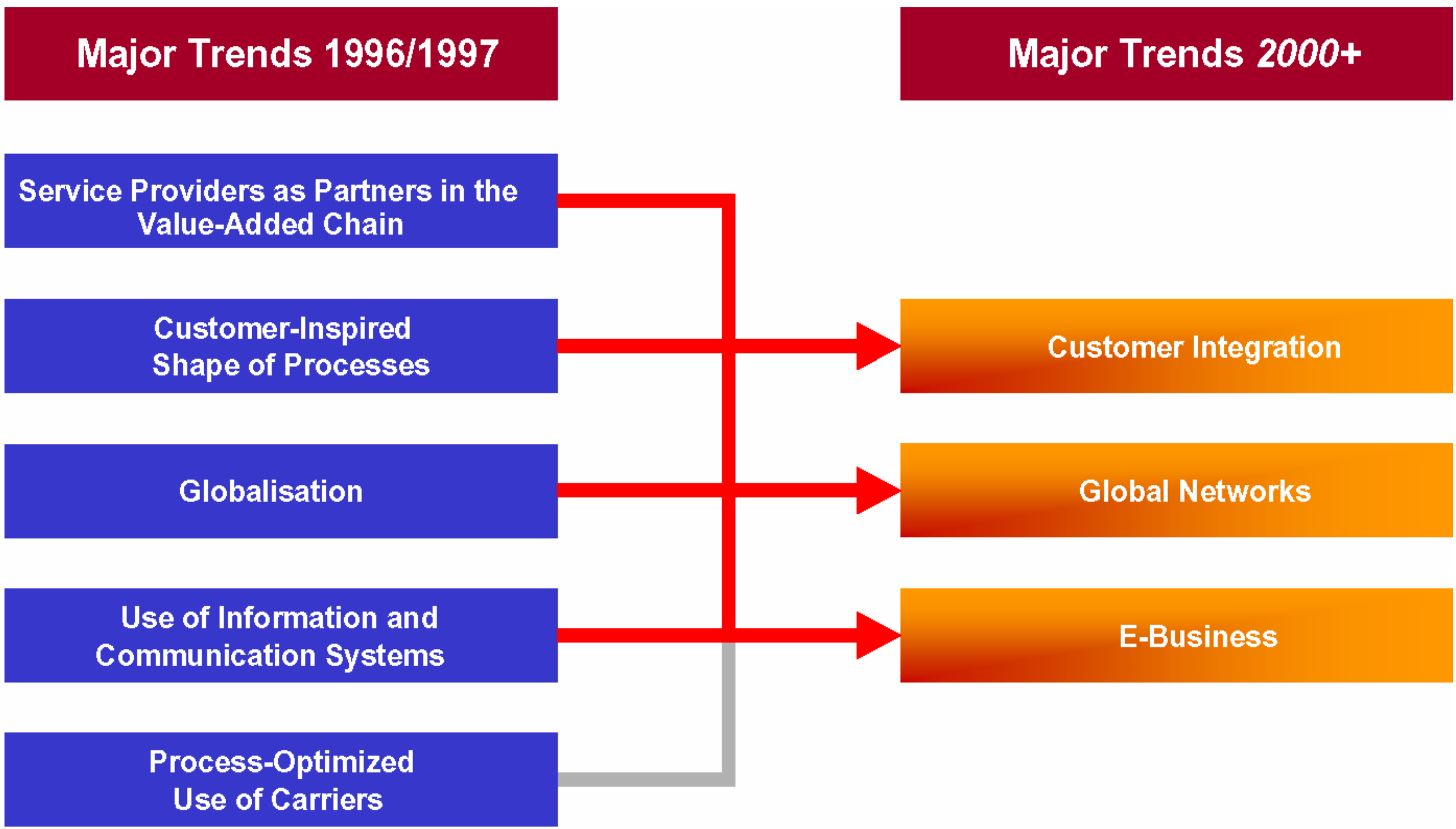
External Processing of Logistic Services in Industry



Why Outsourcing ?

- Increased competition
- Necessity to offer efficient logistic structures
- Concentration on a company´s core competence
- Lack of company-internal logistic knowhow

Success Strategies of Leading Logistic Companies



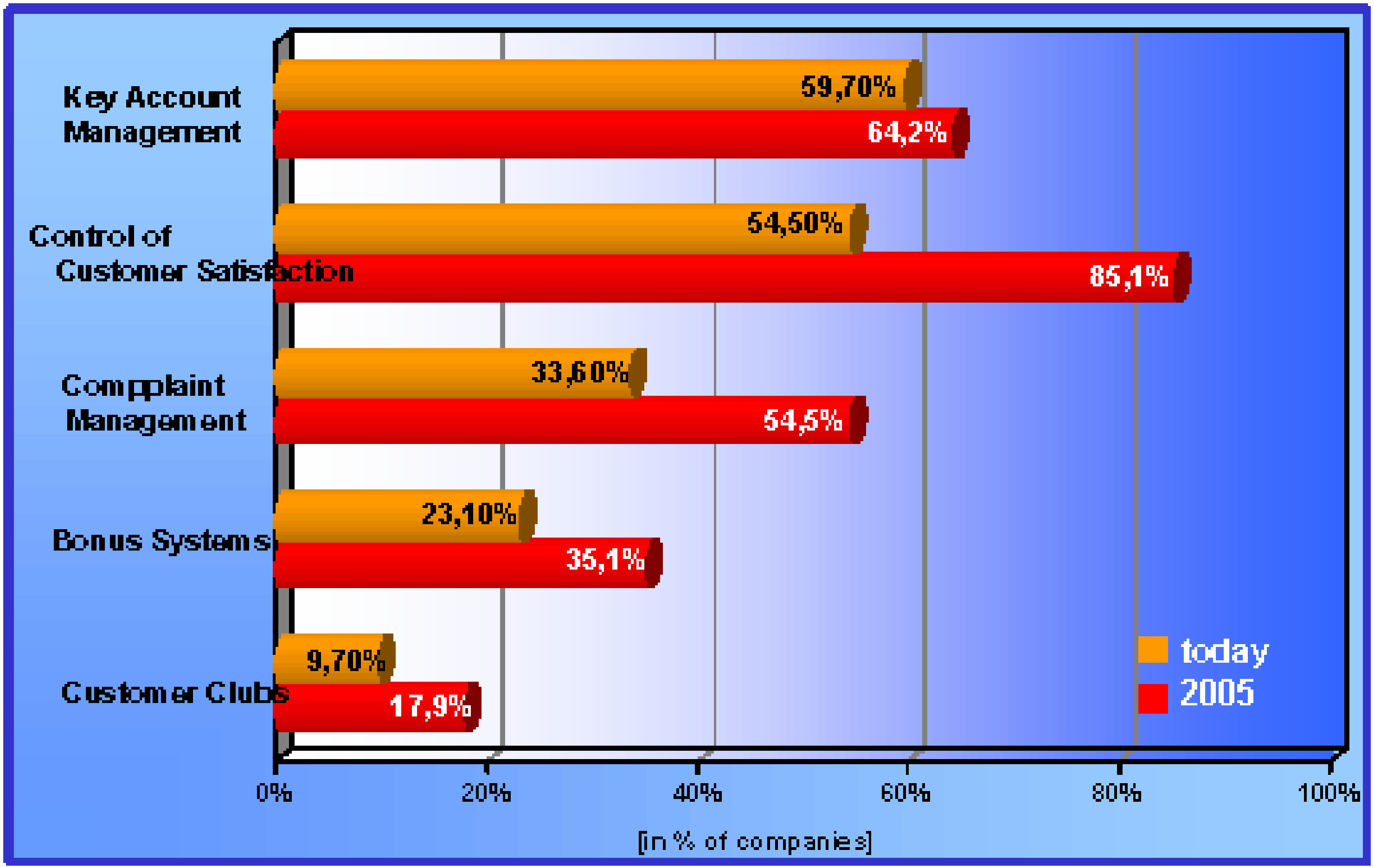
Megatrend E-Business

- **Revenue in 2003 : more than $ 1 billion**

  `….anything that is produced and electronically ordered has to be transported.`

  (Welt, Sept. 20, 2000)

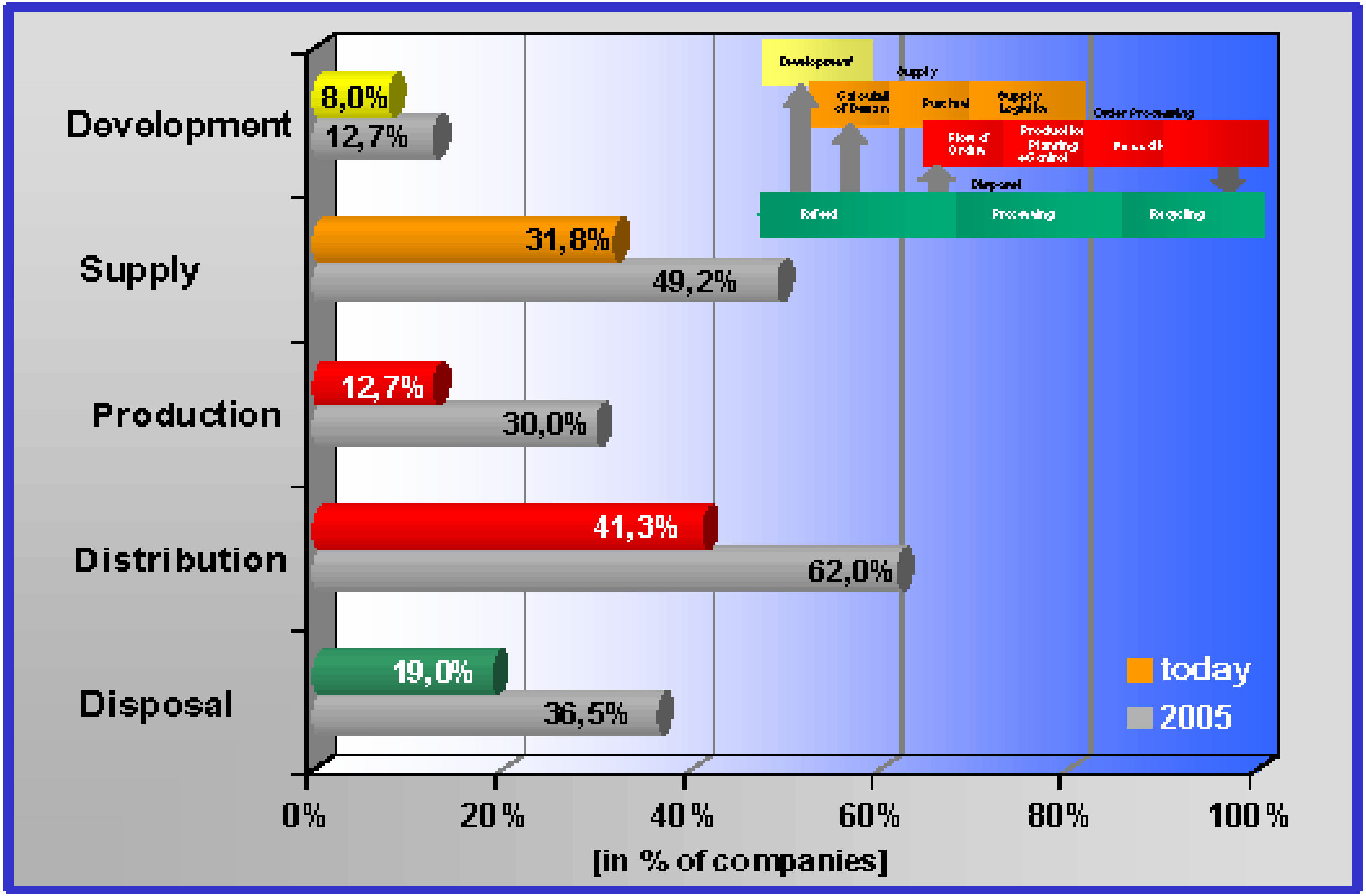
Measures of increasing customer binding



Megatrend Networking

- **Logistics are worldwide integrating value-added chains into global networks.**
- **Mergers, cooperations and global partnerships are unfolding synergy effects for businesses.**

Cooperation in the field of logistics



Logistics as a Competitive Factor

- **Logistic services will get a decisive importance to retain customers**
- **Logistic competence is a key to the e-business market**
- **Logistics contribute to reduce costs**

Which strategies will show successes?

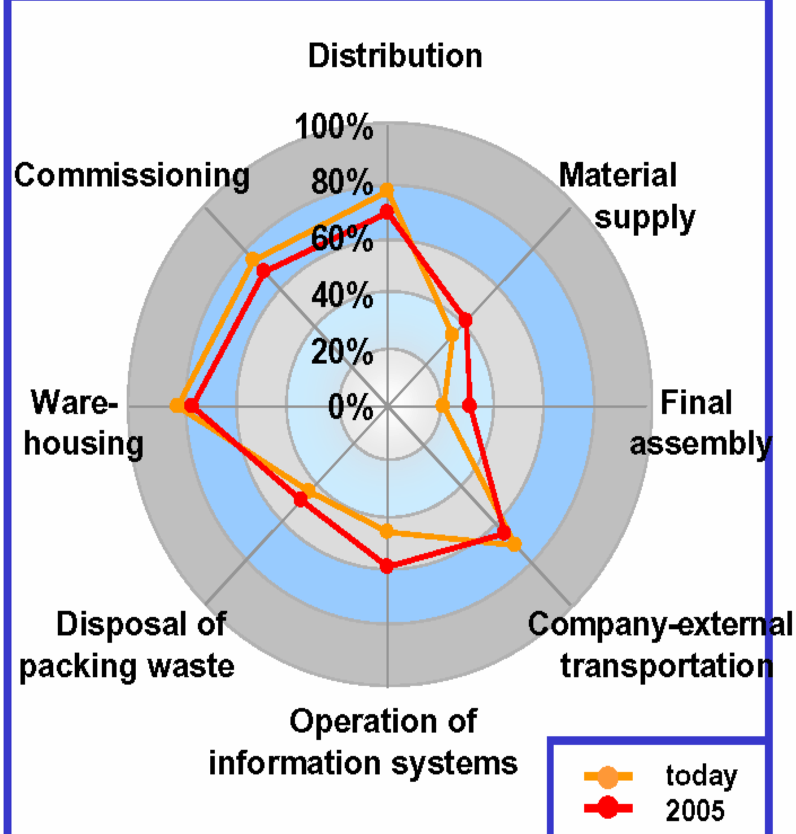
- **Full involvement of customers into the value-added chain**
- **Advantages: Customer retention, growing sales, cost reductions**
- **Establishment of global networks managed on an IT basis**
- **Advantages: Fast reactions to market trends, fast return of invest**

Which strategies will show successes ?

- **E-business as a basis of efficient logistic systems**
- **Advantages: Market transparency, new customer groups**
- **Use of specialized providers of logistic services Advantage: Logistic firms as system service providers**

Services of Logistic Service Providers

Operative Logistic Services



Administrative Logistic Services